



**Michigan Municipal League
Liability and Property Pool**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
(CAFR)**

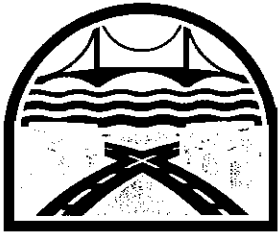
DECEMBER 31, 2006

Michigan Municipal League Liability and Property Pool

Comprehensive Annual Financial Report (CAFR)

December 31, 2006

Letter of Transmittal.....	A
Organizational Chart.....	B
Independent Auditor's Financial Report.....	C
Investment Composition.....	D
Investment Schedule.....	E
Reinsurance Receivables.....	F
Reinsurance Exhibit.....	G
Claim Reserve Analysis Schedules.....	H
Ten-Year Claim Development Information.....	I
Comparative Statements of Revenues and Expenses.....	J
Operating and Demographic Data.....	K
Reinsurance History.....	L
Reinsurance Historical Evaluation.....	M
2006 Reinsurance Structure.....	N
Actuarial Certification.....	O
Membership Listing.....	P



MICHIGAN MUNICIPAL LEAGUE LIABILITY AND PROPERTY POOL

*MICHIGAN MUNICIPAL LEAGUE
1675 Green Road, P.O. Box 1487
Ann Arbor, MI 48106-1487
Phone: (734) 662-3246
Toll Free: (800) 653-2483
Fax: (734) 741-1774

April 20, 2007

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City of Traverse City

RICHARD MACK
Mayor
City of Manistee

RICHARD ROOT
Mayor
City of Kentwood

MICHAEL J. FORSTER
Pool Administrator
Michigan Municipal League

Mr. David Piner, Manager
Office of Financial and Insurance Services
Insurance Monitoring Division
Ottawa Building, 3rd Floor
611 W. Ottawa
Lansing, MI 48933-1070

Dear Mr. Piner:

This is an introduction to, and summary of, information contained in the Comprehensive Annual Financial Report (CAFR), for the Michigan Municipal League Liability and Property Pool (Pool).

I. Background

The Michigan Municipal League (League) formed the Pool pursuant to the Michigan Intergovernmental Cooperation Act, P.A. 138 of 1982, as amended. The Pool became operational in December, 1982.

The Pool membership consists of governmental agencies throughout the State of Michigan including cities, villages, townships, counties, public authorities and special districts. As a condition of membership in the Pool, each public agency must be either a member or an associate member of the Michigan Municipal League.

The legal basis of the Pool and its organization are set forth under the terms of a Pool Intergovernmental Contract which is entered into and signed by each Pool member. The Pool Board of Directors must approve the admission of each Pool member.

The Pool enrolled about 50 member municipalities during its first year of operation in 1983. Pool membership has fluctuated over the years, and at December 31, 2006, stands at 394 members with annual gross earned premiums of \$25.9 million.

II. Pool Governance

A nine-member Board of Directors governs the Pool. Eight members of the Board are elected by mail ballot. The ninth Board member is the Executive Director of the League, who serves ex officio. The terms of office of the eight elected Board members are three years.

The Board designates a three-member executive committee to act on its behalf between meetings of the full Board of Directors, if necessary.

The League provides administrative and financial services to the Pool Board of Directors under the terms of a service contract. The Pool administrator and staff are employees of the League. A staff organization chart is attached.

III. Pool Coverages

As authorized by Michigan law, the Pool provides a wide range of insurance coverages to its members with the details spelled out in a manuscript Pool coverage document. Liability coverages consist of general liability, public official's liability, police liability and automobile liability.

The minimum limit of liability provided by the Pool is \$1 million per occurrence. The Pool offers optional limits of \$2 million, \$5 million and \$10 million per occurrence.

Since its inception, the Pool has been a member of the Michigan Catastrophic Claims Association. The Pool provides members with standard no-fault automobile coverage as well as coverage for automobile physical damage.

The Pool coverage document provides comprehensive property coverage with total insured values of more than \$3.8 billion.

IV. Reinsurance

The Pool purchases reinsurance excess of its retention. For 2006, the Pool retains the first \$500,000 per occurrence of each liability loss.

The Pool liability reinsurance is arranged in four layers, as follows: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. All liability reinsurance is on a per occurrence basis. On property risks, the Pool retains the first \$100,000 per occurrence and has an aggregate retention of \$2.8 million.

Internal solvency procedures for qualification of reinsurers have been implemented to provide reasonable assurance that participating reinsurers are financially sound.

All Pool member contributions and the investment income earned thereon are maintained to pay the Pool's retained losses and administrative expenses. There are no provisions for member assessments.

V. Service Contractors

A. The Pool Board of Directors has contracted with Meadowbrook Insurance Group for the performance certain services including underwriting, rating, policy issuance, statistical and record keeping work, loss control services and claims administration set forth in a service agreement. Prospective Pool members must complete a membership application identifying various exposures. Standard rates are then applied to the various exposures in order to produce Pool premiums sufficient to cover losses and expenses as projected by an independent actuary. Individual Pool member premiums are adjusted in accordance with the member's loss experience.

B. Investment Management

The Pool Board of Directors has contracted with Munder Capital Management of Birmingham, Michigan and Invesco - National Asset Management of Louisville, Kentucky for investment management services. The Brice Group of Bloomfield Hills, Michigan is retained to provide a quarterly review of the investment managers' performance.

C. Actuarial Services

The Pool Board of Directors has engaged the services of Tillinghast - Towers Perrin for actuarial services. An actuarial rate review and certification of loss reserves are performed annually by Tillinghast for the Pool.

D. Pool Auditors

The Board has engaged the firm of Plante & Moran, PLLC to audit the Pool's financial statements.

VI. Pool Tax Status

In 1985, the Pool applied for and received a written ruling from the Internal Revenue Service. It states that Pool income is tax-exempt.

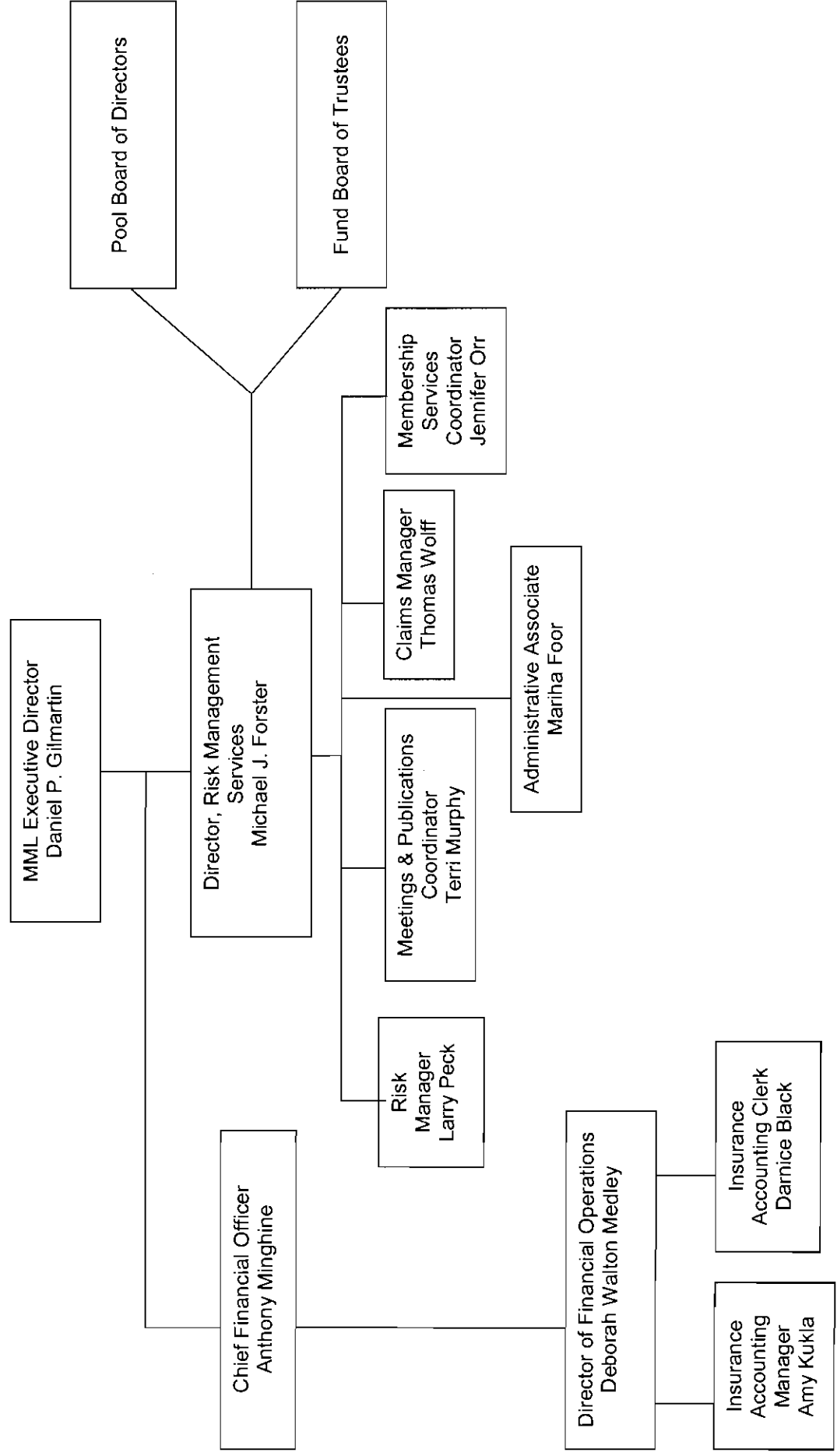
The mission of the Pool is to provide a long-term, stable, cost-effective risk management alternative for members and associate members of the Michigan Municipal League. A knowledgeable Board of Directors, focused administrative staff and high quality service providers and reinsurers combine to protect the financial interests of the Pool and its members. I trust that the information provided here completes and responds to your requirements. Please contact me if you have any questions or need anything further.

Sincerely,



Michael J. Forster
Pool Administrator
Michigan Municipal League

MML Risk Management Operations
Staff Accountability
February 15, 2007



Michigan Municipal League Liability and Property Pool

**Financial Report
with Supplemental Information
December 31, 2006**

Michigan Municipal League Liability and Property Pool

Contents

Report Letter	i
Management's Discussion and Analysis	2-13
Financial Statements	
Statement of Accumulated Members' Equity	14
Statement of Revenue, Expenses, and Changes in Accumulated Members' Equity	15
Statement of Cash Flows	16
Notes to Financial Statements	17-27
Required Supplemental Information	28
Schedule of Claims Information for All Lines of Coverage	29-30



Plante & Moran, PLLC
Suite 500
2601 Cambridge Court
Auburn Hills, MI 48326
Tel. 248.375.7100
Fax. 248.375.7101
planteandmoran.com

Independent Auditor's Report

To the Board of Directors
Michigan Municipal League Liability
and Property Pool

We have audited the accompanying statement of accumulated members' equity of Michigan Municipal League Liability and Property Pool (the "Pool") as of December 31, 2006 and the related statements of revenue, expenses, and changes in accumulated members' equity and cash flows for the year then ended. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of December 31, 2005 were audited by other auditors, whose report dated April 7, 2006 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Municipal League Liability and Property Pool at December 31, 2006 and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Michigan Municipal League Liability and Property Pool's basic financial statements. The accompanying required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

March 13, 2007

Michigan Municipal League Liability and Property Pool

Management's Discussion and Analysis

This section of the Michigan Municipal League Liability and Property Pool's (the "Pool") annual financial report presents our discussion and analysis of the Pool's financial performance during the year ended December 31, 2006. Please read it in conjunction with the Pool's financial statements, which immediately follow this section.

The Reporting Entity

The Michigan Municipal League (MML) formed the Michigan Municipal League Liability and Property Pool pursuant to the Michigan Intergovernmental Cooperation Act, P.A. 138 of 1982, as amended. The Pool became operational in December 1982. The mission of the Pool is to provide a long-term, stable, cost-effective risk management alternative to members and associate members of MML. The Pool provides services intended to reduce the frequency and severity of losses occurring in the operation of local government functions. It also defends and indemnifies its members against legal liability or loss in accordance with the terms of its Intergovernmental Agreement and Coverage Document.

The Pool is comprised of municipalities and related agencies throughout the state of Michigan including cities, villages, townships, counties, public authorities and special districts. As a condition of membership in the Pool, each public agency must be either a member or an associate member of MML.

The legal basis of the Pool and its organization are set forth under the terms of a Pool Intergovernmental Contract which is entered into and signed by each Pool member. The Pool board of directors must approve the admission of each Pool member.

Our discussion and analysis of the Pool's financial performance provides an overview of its financial activities for the fiscal years ended December 31, 2006 and 2005. Please read it in conjunction with the Pool's financial statements, which begin on page 14.

Financial Overview

This annual statement consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information.

The three basic financial statements presented are as follows:

- **Statement of Accumulated Members' Equity** - This statement presents information reflecting the Pool's assets, liabilities, and accumulated members' equity and is categorized into current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity of which are collectible or becoming due within 12 months of the statement's date.

Michigan Municipal League Liability and Property Pool

Management's Discussion and Analysis (Continued)

- **Statement of Revenue, Expenses, and Changes in Accumulated Members' Equity** - This statement reflects the operating and nonoperating revenue and expenses for the previous two fiscal years. Operating revenue consists primarily of member contributions, with the major sources of operating expenses being claims and claims adjustment expenses, general and administrative expenses, and reinsurance costs. Nonoperating revenue consists primarily of investment income.
- **Statement of Cash Flows** - This statement is presented on the direct method of reporting and reflects cash flows from operating activities and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash equivalents for the fiscal year.

The Pool's accounting records are maintained on an accrual basis, which is in accordance with accounting principles generally accepted in the United States of America. Financial data is presented for both the current and prior fiscal year. Financial data is also compared to an annual budget adopted by the board of directors.

Additional Information - Notes to the Financial Statements

The notes provide additional information that is integral to a full understanding of the financial information presented in the financial statements. The notes to the financial statements begin on page 17.

Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information regarding the Pool's 10-year claims development history. The determination of current member rates to cover the assumed risk of possible future loss occurrences is largely guided by claim development. Trends in claim development indicate whether losses are increasing, decreasing or static. Required supplementary information is located on pages 29 and 30.

Michigan Municipal League Liability and Property Pool

Management's Discussion and Analysis (Continued)

Comparative Balance Sheet

	December 31		
	2006	2005	2004
Assets			
Current assets:			
Cash and cash equivalents	\$ 966,336	\$ 1,010,143	\$ 1,458,367
Investments, at market value	75,121,378	67,562,813	65,597,780
Accounts receivable	69,767	219	166,968
Premiums receivable	325,662	139,607	308,561
Claim deductibles receivable	461,971	517,673	498,008
Reinsurance receivables on paid claims	213,734	1,742,481	741,845
Accrued interest receivable	719,193	571,111	590,238
Prepaid expenses and other current assets	539,827	558,302	529,196
Total current assets	78,417,868	72,102,349	69,890,963
Noncurrent assets - Investment in NLC Mutual Insurance Company, at cost	1,600,594	1,600,594	1,414,953
Total assets	80,018,462	73,702,943	71,305,916
Liabilities			
Current liabilities:			
Net reserve for losses and loss adjustment expenses (Note 3)	5,041,235	3,778,773	2,984,661
Net reserve for incurred but not reported losses and loss adjustment expenses (Note 3)	9,570,404	9,060,006	5,698,587
Unearned member premiums - Net	8,693,458	9,711,834	9,723,638
Accounts payable	292,739	396,628	143,728
Total current liabilities	23,597,836	22,947,241	18,550,614
Noncurrent liabilities:			
Net reserve for losses and loss adjustment expenses - Net of current portion (Note 3)	7,521,302	6,733,712	8,953,985
Net reserve for incurred but not reported losses and loss adjustment expenses - Net of current portion (Note 3)	13,067,153	14,697,809	17,907,760
Total noncurrent liabilities	20,588,455	21,431,521	26,861,745
Total liabilities	44,186,291	44,378,762	45,412,359
Accumulated Members' Equity	\$35,832,171	\$29,324,181	\$25,893,557

Michigan Municipal League Liability and Property Pool

Management's Discussion and Analysis (Continued)

Operating Results and Changes in the Pool's Accumulated Members Equity

	Years Ended December 31		
	2006	2005	2004
Operating Revenues			
Member premium earned	\$ 25,923,952	\$ 25,677,807	\$ 25,173,739
Less reinsurance premiums expense	(9,291,071)	(9,229,647)	(10,023,227)
Net member premium earned	16,632,881	16,448,160	15,150,512
Operating Expenses			
Losses and loss adjustment expense incurred, net of reinsurance	10,488,799	10,198,440	8,969,070
Service agent fee	4,375,804	4,359,146	4,096,156
Administrative expenses	307,525	282,485	248,379
Total operating expenses	15,172,128	14,840,071	13,313,605
Operating Income (Loss)	1,460,753	1,608,089	1,836,907
Nonoperating Income (Expense)			
Investment income	4,707,457	2,895,925	2,605,172
Increase (decrease) in the fair market value of investments	309,119	(1,119,142)	(537,733)
Other income (expense)	30,661	45,752	(15,181)
Net nonoperating income	5,047,237	1,822,535	2,052,258
Increase in Accumulated Members' Equity	6,507,990	3,430,624	3,889,165
Accumulated Members' Equity			
Beginning of year	29,324,181	25,893,557	22,004,392
End of year	\$ 35,832,171	\$ 29,324,181	\$ 25,893,557

In addition to accumulated members' equity, when assessing the overall health of the Pool, the reader needs to consider other nonfinancial factors such as the legal climate in the state of Michigan, the general state of the financial markets, and the level of risk prevention undertaken by the Pool and its members.

- The Pool's total assets have increased 12 percent over the past two years, from \$71.3 million to \$80.0 million. A significant component of the change in Pool assets was due to the increase in its investment portfolio.
- The investment portfolio consists of a variety of fixed income, equities, and real estate investment trusts. The fixed income securities, representing 85 percent of the portfolio, range from Treasury and Agency-type securities, AAA to BBB rated securities, to high yield corporate bonds.
- The average life of the fixed income securities is 2.3 years with an average duration of 2.0 years, yielding an average return of 4.9 percent.

Michigan Municipal League Liability and Property Pool

Management Discussion and Analysis (Continued)

- Pool equity investments, representing 15 percent of the portfolio, consists of funds invested in an equity fund and a real estate equity investment fund. The equity fund represents 13 percent of the total investment portfolio and is comprised of large, mid, and small cap value and growth stocks. The real estate equity investment fund represents 2 percent of the investment portfolio and is comprised of publicly traded real estate investment trusts and private real estate companies, both of which include higher quality companies with strong dividend growth potential.
- Reinsurance receivables on paid claims decreased during the year as a result of several reinsurance recoveries received during the year. The receivable represents amounts due from reinsurers for eight liability and three property claims paid during 2006 and prior. The decrease during the year is the net result of the collection of over \$2.9 million and additional receivables added totaling more than \$1.4 million.
- Total assets increased from the prior year by \$6.3 million or 8.7 percent, primarily as a result of positive returns within the investment portfolio. Investment market values increased 11 percent compared to the prior year.
- Total liabilities decreased 3 percent since 2004, from \$45.4 million to \$44.1 million. Net reserves for losses and loss adjustment expenses increased 5 percent while net reserves for incurred but not reported losses decreased 4 percent. The 2006 year-end actuarial analysis reveals an overall improvement on prior years' reserves, resulting in an overall decrease in the incurred but not reported losses.
- Accumulated members' equity increased 38 percent, from \$25.9 million in 2004 to \$35.8 million in 2006. The increase in the Pool's financial position is a result of improved claim experience and positive investment results.
- The Pool reported a total gain of \$6.7 million in 2006, compared to a total gain of \$3.4 million in 2005.

Capital Assets and Debt Administration

The Pool has no long-term debt. All material commitments and contingencies are disclosed in Note 6 on pages 26 and 27 of the financial statements. The Pool has no plans to encumber any debt or enter into additional commitments in the foreseeable future.

Michigan Municipal League Liability and Property Pool

Management's Discussion and Analysis (Continued)

Member Premiums Earned

During 2006, the Pool provided insurance coverage to 394 members. Pool coverage includes general liability, police, errors and omissions, property, auto, crime, and inland marine. Written premiums are recognized as earned on a pro rata basis over the life of the policy term. Premiums written during 2006 totaled \$25.3 million. For the year ended December 31, 2006, the Pool reported earned premiums of \$25.9 million compared to \$25.7 million and \$25.1 million for years ended December 31, 2005 and 2004, respectively. The primary reason for the increase over the years is due to an increase in ratable exposures, i.e., property values and payrolls.

The Pool added 11 new members and lost 13 members during the 2006 calendar year. The net loss of written premium was approximately \$840,000, generating a loss of net earned premium of \$497,000. Although the Pool experienced a net loss in membership, overall earned premium has increased over the past two years due to increases in member exposures. Of the members that renewed, 75 percent renewed with higher premiums. No significant growth in Pool membership or premium is anticipated in the near future.

Reinsurance Premiums Expense

The Pool retains the first \$500,000 of each casualty loss and \$100,000 of each property loss. Reinsurance coverage is obtained to protect the Pool against losses in excess of the \$500,000 casualty and \$100,000 property retentions. Casualty reinsurers participated on various layers ranging from \$500,000 up to \$10,000,000. Participating casualty reinsurers in 2006 were Discover Reinsurance Company, Everest Reinsurance Company, Lloyds of London, and National League of Cities Mutual Insurance Company. Each company has been a longtime reinsurance partner of the Pool.

Property reinsurance is provided by Discover Reinsurance Company and the Chubb Insurance Group for losses in excess of \$100,000 up to \$220,000,000. Boiler and machinery coverage is provided by the Hartford Steam Boiler Insurance Company and the Chubb Insurance Group for losses in excess of \$100,000 up to \$95,000,000.

Reinsurance premium expense also includes assessments to the Michigan Catastrophic Claims Association (MCCA) to protect the Pool against automobile no-fault losses in excess of \$375,000. Reinsurance premiums expense is reported at \$9.2 million for 2006 compared to \$9.2 million and \$10.0 million for 2005 and 2004, respectively. The reinsurance market has remained stable over the last three years. Rates applicable to the MCCA assessments have either increased or decreased from \$127.04 to \$141.70 to \$137.33 per vehicle for years 2004-05, 2005-06, and 2006-07, respectively.

Michigan Municipal League Liability and Property Pool

Management's Discussion and Analysis (Continued)

Investment Income

The Pool's investment portfolio consists of fixed income and equity securities. Investment income includes interest and dividend income. The Pool earned \$3.5 million in investment income, a 23 percent increase from 2005. For the year ended December 31, 2005, the Pool earned \$2.9 million in investment income, 17 percent more than 2004.

Net Increase (Decrease) in the Fair Market Value of Investments

The Pool experienced a net increase in the fair market value of investments of \$1.4 million in 2006, compared to net decreases of \$1.1 million and \$0.5 million in 2005 and 2004, respectively. Investment market values increased due to the positive returns generated in both the fixed income and equity investment markets during 2006. The fixed income portfolio ended the year with a 4.5 percent overall return despite their negative performance during the first and second quarters of the year. Lower rated corporate bonds outperformed their higher-rated counterparts on a total return basis. Rising interest rates and lower bond prices in the past two years gave rise to decreases in the fair market values, leading to unrealized losses reported for the 2005 and 2004 years.

Equity market values also increased over the past three years. The Pool's stock portfolio has been managed to outperform the S&P 500 by means of positive security and industry selections. During the first three quarters of the year, the stock portfolio returns were favorable relative to the S&P 500 benchmark, but unfavorable relative to the overall equity market that is represented by large-cap stocks, small-cap stocks, and the broad stock market. For the purpose of diversifying the Pool's domestic equity exposure among various capitalization levels, the stock portfolio was liquidated during the fourth quarter and re-deployed to a passive equity market fund that represents a blend between growth and value stocks. Thirteen percent of the Pool's investment portfolio is now invested in this equity fund, which generated a 7 percent return during the fourth quarter of 2006.

Two percent of the investment portfolio is invested in a real estate investment fund that earned an annual return of 35 percent for the year 2006. Positive returns were also recognized in prior years; 9 percent and 31 percent during 2005 and 2004, respectively. Fund assets are invested primarily into equity real estate investment trusts and in high-quality companies that are engaged in the real estate industry. Fund assets are not invested directly into real estate.

The positive returns generated from the Pool's fixed income, equity fund, and real estate investment fund resulted in a total portfolio return of 6.7 percent for the year 2006.

Michigan Municipal League Liability and Property Pool

Management's Discussion and Analysis (Continued)

Losses and Loss Adjustment Expenses Incurred, Net of Reinsurance

The Pool administers claims and pays for covered losses experienced by its members. All claims are processed and managed by a third-party administrator. Attorneys, medical experts, and other professionals are contracted on an as-needed basis. Between the time a claim is reported and the time it is resolved, reserves are established for the estimated amount that will be paid at some future date to settle the loss. Reserves are also established for claims that have occurred, but are not yet known to the Pool and for reported claims that are expected to develop. These IBNR (incurred but not reported) reserves are recognized in the current year for claims that will either not be reported until future periods or will increase in severity. This process allows a matching of current year premium with estimated total losses that will be incurred as the result of the member's current year coverage.

Incurred losses and loss adjustment expenses represent payments and changes in reserves for the year. Loss and loss adjustment expenses were \$10.5 million, \$10.2 million, and \$9.0 million for 2006, 2005, and 2004, respectively.

Incurred claims are slightly higher in 2006 compared to 2005 due to the payment of several large losses. The change in case reserves continued to be favorably impacted by numerous case law decisions affecting virtually all aspects of governmental immunity law over the past five to seven years. In particular, the courts have significantly restricted the ability of litigants to pursue claims involving police pursuits, jail suicides, sidewalk slip and falls, and trespass nuisance claims against municipalities. As well, the legal standard with respect to claims against individual government employees has been severely restricted. Litigants must prove that the employee was both grossly negligent and the proximate cause of the injury or damages in order to successfully pursue a claim. Also, recent legislation and associated court decisions have limited the ability of plaintiffs to pursue sewer back-up claims, which were previously a significant and growing source of exposure to the Pool. Finally, coverage restrictions initiated by the Pool have eliminated its exposure to catastrophic class action lawsuits arising out these claims.

Service Agent Fees

The Pool is sponsored and administered by the Michigan Municipal League (MML) as a service for MML members and other public sector entities. The Pool has no employees. As such, the Pool contracts with the MML and Meadowbrook Insurance Group (MIG) for most administrative services.

Michigan Municipal League Liability and Property Pool

Management's Discussion and Analysis (Continued)

Service agent fees represent the services fees paid pursuant to the MML and MIG contracts. The MML contract provides for risk management and financial management, at an annual fee of \$800,000. The MIG contract provides for marketing, underwriting, claims administration, and loss control risk services at an annual fee of \$3,109,600. In addition, the Pool's contract with MIG provides for a profit-sharing payment equal to the lesser of 50 percent of the Pool's net underwriting gain or \$250,000. In 2006, the Pool retained an independent consultant to evaluate the overall fees paid to Meadowbrook and services provided. The study determined that Pool expense payments to Meadowbrook were reasonable.

Service agent fees also include bank charges and investment management fees totaling \$215,604 for 2006, an 8 percent increase when compared to 2005. The bank and investment management fees reported for 2005 represented a 7 percent increase when compared to 2004.

Administrative Expenses

In providing coverage and other member services, the Pool incurs administrative expenses and contract service fees. All of these expenses are budgeted and monitored on a monthly basis for compliance with budgetary limits. The Pool's administrative expenses include actuarial, audit, and legal fees; board meetings and travel; information and technology services; rental fees; etc.

Administrative expenses of \$0.3 million for 2006 represent an 8 percent increase compared to 2005, and a 23 percent increase when compared to 2004. The Pool has experienced various expense variations for a number of accounts. Primarily, the majority of expense increases were incurred for management consulting services and loss control services provided during 2006. The Pool conducted a "fee to service" review to confirm the appropriateness of expense payments to its primary service provider, Meadowbrook Insurance Group. The Pool also increased its program of subsidizing member attendance at League educational programs designed to reduce exposure to losses.

Prudent Management and Governing Board Oversight

The mission of the Pool is to be long term, stable, and cost-effective. The Pool is managed by a nine-member board of elected and appointed officials. The board meets quarterly to review operations, and meets annually to conduct strategic planning and goal setting. An audit committee reviews the year-end financial statements and makes recommendations in that regard to the full board of directors. The Pool is audited on a tri-annual basis by the Office of Financial and Insurance Services of the State of Michigan and files a Comprehensive Annual Financial Report.

Michigan Municipal League Liability and Property Pool

Management's Discussion and Analysis (Continued)

Investment Risk

A significant portion of the Pool's annual net income is derived from its investments. Investments are professionally and independently managed, with quarterly reports provided to the governing board. Additionally, a professional investment advisory firm provides quarterly reports to the governing board, which independently reviews the investment manager's performance.

The deposits and investments of the Pool are exposed to risks that have the potential to result in losses. As such, there is the risk that the Pool will not earn expected returns and that investments may lose value. The Pool may be exposed to common deposit and investment risks that relate to credit risk, concentration of risk, interest rate risk, and foreign currency risk. In accordance with Governmental Accounting Standards Board (GASB) No. 40, *Deposit and Investment Risk Disclosures*, disclosures are presented in Note 2 on pages 20 through 23 of the audit report to inform readers about deposit and investment risks that could affect the Pool's ability to provide services and meet its obligations.

Risk of Inadequate Loss Reserves

With quarterly reserve reviews by an independent actuary, and regular independent claim reviews, management considers the risk of using significant amounts of surplus to strengthen loss reserves to be low.

Reinsurance Cost

Reinsurance costs are subject to market fluctuations and losses worldwide over which the Pool has little control. The MCCA assessment, in particular, is one of these areas. However, given the Pool's loss experience, management expects Pool casualty reinsurance costs to remain relatively stable in the future.

Michigan Municipal League Liability and Property Pool

Management's Discussion and Analysis (Continued)

Budgetary Highlights

Each year the Pool adopts an annual operating budget for the current year. The budget is presented to the Pool's board of directors for final review and adoption. The board approves any interim amendments to the annual budget. The Pool administrator prepares the budget and reviews expenditures on a monthly basis to assure compliance with the adopted budget.

	Budgeted	Actual	Variance Positive (Negative)
Member premiums earned	\$ 26,777,500	\$ 25,923,952	\$ (853,548)
Less reinsurance premiums expense	(10,000,000)	(9,291,071)	708,929
Net member premiums earned	16,777,500	16,632,881	144,619
Investment income including increase in fair value of investments and other income	2,080,000	5,047,237	2,967,237
Total revenues	18,857,500	21,680,118	2,822,618
Expenses:			
Loss and loss adjustment expenses incurred - Net of reinsurance	12,500,000	10,488,799	2,011,201
Service agent, marketing, and risk control fees	4,137,600	4,375,804	238,204
Administrative expenses	422,651	307,525	(115,126)
Total expenses	17,060,251	15,172,128	(1,888,123)
Excess of revenues over expenses	\$ 1,797,249	\$ 6,507,990	\$ 4,710,741

The following is an explanation of the significant variances of the budget to actual for 2006.

Earned premiums fell slightly short of the budget parameters due to the loss of several large members, offset partially by an overall net increase in members' exposures. The Pool gained 11 new members with written premiums totaling \$305,047 and lost 13 members with written premiums totaling \$1,145,725 during 2006. The Pool's member renewal rate is at 99.9 percent, with 75 percent of the membership renewing with higher premiums.

Actual reinsurance premiums are within the budget parameter. The budget reflects anticipated stability in the liability and property reinsurance premium rates and a modest increase for MCCA assessments. The 2006-2007 MCCA assessment is based on a fee of \$137.33, a 3 percent decrease over the 2005-2006 assessment fees.

Investment income, including changes in the fair market value of investments, exceeded the 2006 budget expectations. Investment income fluctuations are due to changes in market conditions and interest rates. The 2006 budget reflects an assumption of a favorable investment market environment. The Pool experienced an environment of stable interest rates and an overall improvement in the bond and equity markets.

Losses and loss adjustment expenses, net of reinsurance, were lower than anticipated due to the continued impact of numerous favorable case law decisions affecting governmental immunity law, sewer back-up coverage restrictions, and IBNR reserve adjustments.

Michigan Municipal League Liability and Property Pool

Management Discussion and Analysis (Continued)

Service agent, marketing, and risk control fees were higher than budget as a result of a contractual provision that required payment of a profit contingency fee to Meadowbrook as a result of the underwriting gain reported for 2006.

Administrative expenses include various expenses such as legal fees, actuarial fees, loss control, information technology, and director expenses. The costs for most expenses were lower than anticipated in the budget.

Future Projects

The completion of implementing the Pool's third-party administrators' membership service system from a software-based system to a web-based system will occur during 2007. Management does not anticipate that this transition will disrupt services or result in materially increased expenses.

The Pool is in negotiations with the Michigan Municipal League to partially fund the League's purchase of office space located within the city of Lansing. These facilities will be available for Pool meetings and loss control activities, including training seminars, conferences, etc.

Contacting the Pool's Management

The financial report is designed to provide our members, customers, and the general public with a general overview of the Pool's finances and to demonstrate the Pool's accountability for the money it receives. For more information about the Michigan Municipal League Liability and Property Pool, visit our web-site at www.mml.org.

Michigan Municipal League Liability and Property Pool

Statement of Accumulated Members' Equity

	December 31	
	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 966,336	\$ 1,010,143
Fixed maturities at fair value (Note 2)	63,726,739	58,320,057
Equity securities at fair value (Note 2)	9,709,543	6,676,912
Real estate investment trust	1,685,096	2,565,844
Accounts receivable	69,767	219
Premiums receivable	325,662	139,607
Claim deductibles receivable	461,971	517,673
Reinsurance receivables on paid claims	213,734	1,742,481
Accrued interest receivable	719,193	571,111
Prepaid expenses and other current assets	539,827	558,302
Total current assets	78,417,868	72,102,349
Noncurrent assets - Investment in NLC Mutual Insurance Company - At cost	1,600,594	1,600,594
Total assets	80,018,462	73,702,943
Liabilities		
Current liabilities:		
Net reserve for losses and loss adjustment expenses (Note 3)	5,041,235	3,778,773
Net reserve for incurred but not reported losses and loss adjustment expenses (Note 3)	9,570,404	9,060,006
Unearned member premiums - Net	8,693,458	9,711,834
Accounts payable	292,739	396,628
Total current liabilities	23,597,836	22,947,241
Noncurrent liabilities:		
Net reserve for losses and loss adjustment expenses - Net of current portion (Note 3)	7,521,302	6,733,712
Net reserve for incurred but not reported losses and loss adjustment expenses - Net of current portion (Note 3)	13,067,153	14,697,809
Total noncurrent liabilities	20,588,455	21,431,521
Total liabilities	44,186,291	44,378,762
Accumulated Members' Equity	\$ 35,832,171	\$ 29,324,181

Michigan Municipal League Liability and Property Pool

Statement of Revenue, Expenses, and Changes in Accumulated Members' Equity

	Years Ended December 31	
	2006	2005
Operating Revenue		
Member premiums	\$ 25,923,952	\$ 25,677,807
Less reinsurance premiums expense	(9,291,071)	(9,229,647)
Net member premiums earned	16,632,881	16,448,160
Operating Expenses		
Losses and loss adjustment expenses - Net of reinsurance	10,488,799	10,198,440
Service agent fees	4,375,804	4,359,146
Administrative expenses	307,525	282,485
Total operating expenses	15,172,128	14,840,071
Operating Income	1,460,753	1,608,089
Nonoperating Income (Expense)		
Investment income and realized gains	4,707,457	2,895,925
Net increase (decrease) in the fair value of investments	309,119	(1,119,142)
Other income	30,661	45,752
Net nonoperating income	5,047,237	1,822,535
Increase in Accumulated Members' Equity	6,507,990	3,430,624
Accumulated Members' Equity - Beginning of year	29,324,181	25,893,557
Accumulated Members' Equity - End of year	\$ 35,832,171	\$ 29,324,181

Michigan Municipal League Liability and Property Pool

Statement of Cash Flows

	Years Ended December 31	
	2006	2005
Cash Flows from Operating Activities		
Receipts from member premiums	\$ 24,957,994	\$ 25,668,208
Receipts from reinsurers	2,793,829	3,699,678
Receipts from claim deductibles	847,720	957,172
Payments on claims	(11,616,105)	(16,149,649)
Payments to reinsurers	(9,529,544)	(9,229,647)
Payments for expenses	(4,768,743)	(5,251,723)
Receipts (payments) from other income (expense)	(38,887)	212,502
Net cash provided by (used in) operating activities	2,646,264	(93,459)
Cash Flows from Investing Activities		
Receipts from interest income	3,416,582	2,919,082
Purchases of securities	(44,797,938)	(37,275,269)
Sales and maturities of securities	38,691,285	34,187,063
Net cash used in investing activities	(2,690,071)	(169,124)
Cash Flows from Financing Activities - Capital contribution to NLC	-	(185,641)
Net Decrease in Cash and Cash Equivalents	(43,807)	(448,224)
Cash and Cash Equivalents - Beginning of year	1,010,143	1,458,367
Cash and Cash Equivalents - End of year	<u>\$ 966,336</u>	<u>\$ 1,010,143</u>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 1,460,753	\$ 1,608,089
Adjustments to reconcile operating income to net cash from operating activities:		
Other income	30,661	45,752
Changes in assets and liabilities:		
Premiums receivable	(186,055)	168,954
Claim deductibles receivable	55,702	(19,665)
Reinsurance receivables on paid claims	1,528,747	(1,000,636)
Other accounts receivable	(69,548)	166,750
Prepaid expenses and other assets	18,475	(29,106)
Net reserve for losses and loss adjustment expenses	2,050,052	(1,426,161)
Net reserve for incurred but not reported loss and loss adjustment expense	(1,120,258)	151,468
Unearned member premiums - Net	(1,018,376)	(11,803)
Accounts payable	(103,889)	252,899
Net cash provided by (used in) operating activities	<u>\$ 2,646,264</u>	<u>\$ (93,459)</u>

Michigan Municipal League Liability and Property Pool

Notes to Financial Statements December 31, 2006 and 2005

Note 1 - Nature of Entity and Significant Accounting Policies

The Michigan Municipal League Liability and Property Pool (the "Pool") was established in 1982 under Public Act 138 of 1982, as amended by Public Act 36 of 1988, to develop and administer a group program of liability and property self-insurance for Michigan municipalities. The objectives of the pool are to establish and administer a municipal risk management service, to reduce the incidence of property and casualty losses occurring in the operation of local governmental functions, and to defend members of the Pool against stated liability or loss.

Any city or village which is a member of the Michigan Municipal League (the "League") or any municipality of any city or village or any governmental entity which holds service associate status with the League is eligible to participate in the Pool. There are 394 members in the Pool at December 31, 2006.

Member premiums are combined to provide each member with coverage for liability and property claims. Any funds not needed to pay claims and maintain prudent reserves will be available for distribution to the members or credit toward future member premiums, as determined by the board (the "board"). Dividend expenses and liabilities are recorded when a dividend has been approved by the board of directors. Alternatively, the board of directors may increase liability limits or offer additional services to the members.

The accompanying financial statements are presented using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America.

The Pool follows governmental accounting standards applicable to business-type activities, and has elected to adopt statements or interpretations of the Financial Accounting Standards Board (FASB) that are issued after November 30, 1989 unless GASB specifically adopts pronouncements that conflict with or contradict such FASB statements or interpretations.

The Pool distinguishes operating revenue and expenses from nonoperating revenue and expenses. Operating revenue and expenses generally result from providing services in connection with the Pool's principal ongoing operations. The principal operating revenue and expenses of the Pool relate to premium revenue and claims and administrative expenses. Premium contributions received covering future contract periods are deferred and recognized over the related contract periods. Net investment earnings are reported as nonoperating revenue.

Cash and Cash Equivalents - Cash and cash equivalents include cash and all liquid securities with maturities of 90 days or less when purchased.

Michigan Municipal League Liability and Property Pool

Notes to Financial Statements December 31, 2006 and 2005

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Investments - The Pool is invested primarily in fixed maturity securities and equity securities which are stated at fair value as determined by quoted market prices. All investment income, including changes in the fair value of investments, is recognized as revenue in the statement of revenue, expenses, and changes in accumulated members' equity.

Receivables - Receivables from members are stated at net invoice amounts. Receivables from reinsurers and for deductibles are computed based on the applicable treaty. Collectibility of balances is reviewed periodically. Any amounts deemed uncollectible are written off at that time. No allowance for bad debts has been recorded because management considers all receivables to be collectible.

Investment in NLC Mutual Insurance Company - NLC Mutual Insurance Company (NLC Mutual) is a captive insurance company formed by risk pools associated with certain state municipal leagues, including the Pool. The pool invested in NLC Mutual in 1987 as a prerequisite for membership. The Pool accounts for its investment in NLC Mutual on the cost basis as the Pool does not have the ability to exercise significant influence over NLC Mutual's operating and financial policies, and their investment is less than 20 percent of NLC Mutual's total equity. The amount of NLC Mutual's equity owned by the Pool, based upon the Pool's ownership percentage, was approximately \$2,300,000 and \$2,100,000 at December 31, 2006 and 2005, respectively.

Unearned Member Premiums - Unearned member premiums represent premiums received in the current year for policies remaining effective into the next fiscal year.

Michigan Municipal League Liability and Property Pool

Notes to Financial Statements December 31, 2006 and 2005

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Net Reserves for Losses and Loss Adjustment Expenses - The Pool establishes claims liabilities based on estimates of the ultimate cost of claims, including future allocated and unallocated claims adjustment expenses, that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of subrogation and reinsurance recoveries are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in estimating claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability. Claims liabilities are estimated periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. The Pool retains a qualified, independent actuarial firm to perform an annual actuarial review of the risk retained by the Pool. Premium deficiency is defined as the amount by which expected claims costs (including IBNR) and all expected claims adjustment expenses exceed related unearned premiums. The Pool has determined that a premium deficiency does not exist. In making this determination, management has taken into consideration anticipated investment income. As claims are paid over a period of time, the Pool discounts its loss reserves to present value (as allowed by the State of Michigan Office of Financial and Insurance Services). The Pool utilized a 4 percent discount in both 2006 and 2005.

Member Premiums - Member premiums related to amounts to be expended for reinsurance coverage, claim payments, and certain administrative expenses are recognized as revenue in the year to which they apply. Member premiums are established at rates determined in accordance with rating guidelines authorized by the board of directors pursuant to the recommendation of the Pool's actuarial firm.

Federal Income Tax Status - The Pool is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. This law allows local governmental units to provide joint funding for risk management and self-insurance purposes and, as such, are not subject to federal income tax under Internal Revenue Code Section 115 of 1986.

Risk Management - The Pool is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Pool has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

Michigan Municipal League Liability and Property Pool

Notes to Financial Statements December 31, 2006 and 2005

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates related to allowances for unsettled claims and claims incurred but not reported are described in Note 3.

Reclassification - Certain reclassifications were made to amounts in the 2005 financial statements to conform with the classifications used in 2006.

Note 2 - Investments

The board has adopted an investment policy that allows for specific investments that conform to the requirements of Public Act 55, Michigan State Law for Public Funds. In general, the Public Act allows investments in obligations issued, assumed, or guaranteed by a solvent entity created or existing under the laws of the United States or of any state, district, or territory of the United States, which are not in default as to principal or interest.

The Pool's investment policy further prohibits any transactions involving short sales, margin purchases, and the purchase of derivative securities and the securities of the investment manager's corporation. The investment policy also restricts the purchase of mortgage-backed securities, including collateralized mortgage obligations limited to 35 percent of the portfolio's fixed income securities market value. No unrated corporate securities are to be purchased. All fixed income securities, excluding U.S. government securities, are limited to 5 percent of the portfolio at the market value per issuer.

The Pool's investment policy allows for investments into equity-type securities. Investment allocation to the equity portfolio is defined in terms of the Pool's reserves and surplus. The reserve component is based on the number of undiscounted reserves expected to be paid after a period of 10 years. The surplus component is limited to 40 percent of the Pool's surplus, i.e., accumulated members equity. The sum of the reserve and surplus components represents the maximum amount, at market value, of the Pool's equity investment.

The Pool's investments are held in the Pool's name. The Pool has designated Key Bank for the deposit of its investments.

Michigan Municipal League Liability and Property Pool

Notes to Financial Statements December 31, 2006 and 2005

Note 2 - Investments (Continued)

The Pool's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned. The Pool does not have a deposit policy for custodial credit risk of its bank deposits. At December 31, 2006 and 2005, the Pool's deposit balance was \$996,336 and \$1,010,143, respectively. All uninvested cash balances are swept to zero at the end of each day and are invested into short-term investment vehicles. Balances invested into the short-term investment vehicles are not insured or guaranteed by the Federal Deposit Insurance Corporation or by any other government agency or government-sponsored agency of the federal government or of any state. As such, the cash and cash equivalent balance of \$996,336 and \$1,010,143 at December 31, 2006 and 2005, respectively, is uninsured and uncollateralized, and therefore is exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Pool's investment policy does not restrict investment maturities. The Pool's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity in accordance with the Pool's cash requirements.

At December 31, 2006, the Pool had the following investments:

Investment Type (Key Bank Defined)	Market Value (Including Accruals)	Weighted Average Maturity Date	Years
U.S. government	\$ 10,231,306	3/15/2009	2.23
U.S. government agencies	13,597,380	10/15/2009	2.84
Mortgage-backed securities	7,580,180	1/31/2009	2.02
Corporate bonds	32,317,873	3/31/2009	2.29
Munder Real Estate Equity Inv Fund	1,685,096	N/A	N/A
Common stock	9,709,543	N/A	N/A
Total fair value	<u>\$ 75,121,378</u>		

Michigan Municipal League Liability and Property Pool

Notes to Financial Statements December 31, 2006 and 2005

Note 2 - Investments (Continued)

At December 31, 2005, the Pool had the following investments:

Investment Type (Key Bank Defined)	Market Value (Including Accruals)	Weighted Average Maturity Date	Years
U.S. government	\$ 14,779,123	12/15/2008	2.94
U.S. government agencies	9,579,547	8/15/2008	2.7
Mortgage-backed securities	7,002,859	6/15/2008	2.5
Corporate bonds	26,958,528	4/15/2008	2.31
Munder Real Estate Equity Inv Fund	2,565,844	N/A	N/A
Common stock	6,676,912	N/A	N/A
Total fair value	<u>\$ 67,562,813</u>		

Credit Risk

The Pool's fixed income investment portfolio consists of a variety of securities ranging from Treasury and Agency-type securities, and AAA to BBB-rated securities. The overall quality rating of the fixed income portfolio is equal to an AA-rated portfolio on a market value weighted basis. No unrated corporate securities are purchased.

At December 31, 2006, the credit quality rating of debt securities, without regard to investment type, is as follows:

Rating	Estimated Market Value	Quality Weightings
AAA	\$ 16,328,135	24.97%
AA	6,877,512	10.52%
A	8,230,905	12.58%
BBB	5,231,171	8.00%
NR	28,732,561	43.93%
Total	<u>\$ 65,400,284</u>	<u>100.00%</u>

Michigan Municipal League Liability and Property Pool

Notes to Financial Statements December 31, 2006 and 2005

Note 2 - Investments (Continued)

At December 31, 2005, the credit quality rating of debt securities, without regard to investment type, is as follows:

<u>Rating</u>	<u>Estimated Market Value</u>	<u>Quality Weightings</u>
AAA	\$ 13,008,323	21.93%
AA	5,260,581	8.87%
A	8,445,261	14.23%
BBB	3,779,914	6.37%
NR	28,836,121	48.60%
Total	<u>\$ 59,330,200</u>	<u>100.00%</u>

The rating organization used by the Pool to rate its investments is Standard and Poor's.

Concentration of Credit Risk

The objective of the Pool's investment policy is to generate a well diversified portfolio without any inappropriate credit concentrations. Other than direct obligations of the U.S. government, no individual issue can exceed 5 percent of the portfolio per the investment policy guidelines. This restriction reduces the Pool's exposure to the risk of credit concentration. There were no fixed income investments that individually exceed 5 percent of the Pool's total investments at December 31, 2006 and 2005.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The Pool's portfolio has no non-U.S. dollar investments, although such investments are not specifically prohibited by the investment policy. As such, the Pool is not subject to any foreign currency risk.

Michigan Municipal League Liability and Property Pool

Notes to Financial Statements December 31, 2006 and 2005

Note 3 - Net Reserves for Losses and Loss Adjustments Expenses

The Pool establishes reserves for both reported and unreported insured events; reserves include estimates for future payments of losses and related loss adjustment expenses. A summary of changes in net losses and loss adjustment expenses for the Pool for the years ended December 31, 2006, and 2005 follows (amounts are net of the effects of reinsurance):

	2006	2005
Net losses and loss adjustment expenses (undiscounted) -		
Beginning of fiscal year	\$ 36,519,201	\$ 38,468,887
Incurring losses and loss adjustment expenses:		
Provision for insured events of the current fiscal year	15,196,507	15,798,344
Change in provision for insured events of prior fiscal years	<u>(4,707,708)</u>	<u>(5,599,904)</u>
Total incurred losses and loss adjustment expenses	10,488,799	10,198,440
Payments - Net of reinsurance recoveries and member deductibles:		
Losses and loss adjustment expenses related to insured events of the current year	(2,375,950)	(2,262,845)
Losses and loss adjustment expenses related to insured events of prior fiscal years	<u>(7,311,555)</u>	<u>(9,885,281)</u>
Total payments	<u>(9,687,505)</u>	<u>(12,148,126)</u>
Net losses and loss adjustment expenses (undiscounted) -		
End of year	37,320,495	36,519,201
Discount of net losses and loss adjustment expenses	<u>(2,120,401)</u>	<u>(2,248,901)</u>
Net discounted losses and loss adjustment expenses -		
End of year	<u>\$ 35,200,094</u>	<u>\$ 34,270,300</u>

During 2006 and 2005, there were favorable developments in incurred loss and loss adjustment expenses related to prior accident years. These favorable developments primarily relate to the favorable resolution of certain litigated claims.

Michigan Municipal League Liability and Property Pool

Notes to Financial Statements December 31, 2006 and 2005

Note 4 - Reinsurance Agreements

The Pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of claims from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The portion of claims covered by reinsurance is not reported as a liability, nor is the related recoverable from the reinsurer recorded as an asset. Accordingly, reserves have been reduced by approximately \$1,330,000 and \$515,000 at December 31, 2006 and 2005, respectively, for amounts recoverable from reinsurers.

The Pool has obtained specific excess reinsurance and aggregate excess reinsurance for liability and property coverages, a portion of which is contracted with NLC Mutual, a related party. The table below displays the amount of risk retained by the member, the Pool, and the reinsurers by policy type.

Policy	Member Responsibility	Pool Coverage	Reinsurance
Liability	\$0 to \$125,000 per occurrence; most members have zero deductible	Individual claims between members' responsibility and \$500,000 plus an additional \$1,000,000 aggregate reinsurance deductible	Individual claims in excess of the Pool's coverage up to \$10 million per occurrence
Property	\$1,000 to \$50,000 deductible per occurrence; most members have \$1,000 deductible	Individual claims up to \$100,000 after the member deductible	Individual claims in excess of the Pool's coverage up to \$220 million per occurrence
Property - Boiler and Machinery	\$1,000 to \$50,000 deductible per occurrence; most members have \$1,000 deductible	Individual claims up to \$100,000 after the member deductible	Individual claims in excess of the Pool's coverage up to \$95 million per occurrence

In addition to the reinsurance described above, the Pool has aggregate loss coverage for liability claims beginning at \$32,000,000. Total aggregate reinsurance coverage is limited to \$500,000 per occurrence and \$5,000,000 total.

Prepaid reinsurance premiums are netted against the related unearned member premiums. Prepaid premiums were approximately \$3,000,000 and \$2,700,000 at December 31, 2006 and 2005, respectively.

In the event a reinsurance company does not meet its obligation to the Pool, responsibility for payment of any unreimbursed claims will be paid by the Pool using funds contributed by members for this purpose.

Michigan Municipal League Liability and Property Pool

Notes to Financial Statements December 31, 2006 and 2005

Note 4 - Reinsurance Agreements (Continued)

The following table summarizes the net impact of reinsurance arrangements on member contributions and claims and claims adjustment expenses paid:

	2006	2005
Member contributions:		
Direct	\$ 25,923,952	\$ 25,677,807
Ceded	<u>(9,291,071)</u>	<u>(9,229,647)</u>
Net member contributions	<u>\$ 16,632,881</u>	<u>\$ 16,448,160</u>
Claims and claim adjustment expenses paid	\$ 11,753,881	\$ 13,898,118
Reinsurance recoveries	<u>(1,265,082)</u>	<u>(3,699,678)</u>
Net claims and claim adjustment expenses paid	<u>\$ 10,488,799</u>	<u>\$ 10,198,440</u>

Note 5 - Accumulated Members' Equity

At the discretion of the board of directors, accumulated members' equity may be returned to members in the form of dividends. No dividends were distributed to members during 2006 or 2005.

Note 6 - Commitment

The League provides certain administrative services to the Pool including administrative, risk management, data processing, staff travel, printing, and supplies. Under the agreement, which automatically renews for a one-year term on January 1 each year, the Pool will pay the League a fee equal to a specified percentage of earned premiums. Both parties have the option to pursue changes and/or cancellation of the agreement on January 1 of each year. Minimum and maximum fees to be paid to the League for a January - December fiscal year are \$800,000 and \$850,000, respectively. Service agent fees expensed by the Pool approximated \$800,000 for both 2006 and 2005. During 2006, the Pool signed a new management agreement with the League effective January 1, 2007 through December 31, 2007. The agreement will automatically renew unless an intent to terminate has been filed. Total payments required under the contract are \$1,080,000 for 2007 with an increase of the lesser of the U.S. Department of Labor Consumer Price Index or 5 percent for all subsequent years.

Michigan Municipal League Liability and Property Pool

Notes to Financial Statements December 31, 2006 and 2005

Note 6 - Commitment (Continued)

In July 1996, the Pool entered into a new lease agreement with the League subject to which the Pool prepaid \$450,000 of rent (\$383,020 present value of 3.0 percent discount rate) representing rent payment required through June 30, 2006. This prepayment was capitalized and was amortized on a straight-line basis through June 30, 2006.

Required Supplemental Information

Michigan Municipal League Liability and Property Pool

Required Supplemental Information Schedule of Claims Information for All Lines of Coverage

The table on the following page illustrates how the Pool's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the League as of the end of each of the last 10 years. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
- (2) This line shows each fiscal year's other operating costs of the Pool, including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the Pool's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued), as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section of 10 rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
- (5) This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
- (6) This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.
- (7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Michigan Municipal League Liability and Property Pool

Required Supplemental Information Schedule of Claims Information for All Lines of Coverage (In thousands) (Continued)

Fiscal Year Ended December 31	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(1) Required contributions and investment revenue:										
Earned	\$ 28,932	\$ 28,510	\$ 26,251	\$ 26,257	\$ 24,965	\$ 25,329	\$ 27,828	\$ 27,226	\$ 27,501	\$ 30,971
Ceded	5,974	6,086	6,822	5,086	5,903	7,886	8,277	10,023	9,230	9,291
Net earned	23,008	22,424	19,429	21,191	19,062	17,443	19,551	17,203	18,271	21,680
(2) Unallocated expenses	5,136	5,009	4,476	5,416	4,634	4,358	4,625	4,345	4,642	4,683
Policy Year Ended December 31										
(3) Estimated incurred claims and expenses, end of policy year:										
Incurred	18,286	18,245	20,498	21,907	18,578	17,155	16,378	17,057	15,798	15,731
Ceded	776	818	1,105	962	278	1,388	126	999	-	534
Net incurred	17,510	17,427	19,393	21,045	18,300	15,767	16,252	16,058	15,798	15,197
(4) Net paid (cumulative) as of:										
End of policy year	3,065	2,774	3,002	3,842	2,754	2,438	2,167	2,498	2,263	2,376
One year later	6,253	5,316	5,739	7,162	4,987	4,243	4,321	4,881	4,234	-
Two years later	8,777	8,851	8,124	10,055	8,027	5,881	6,608	7,756	-	-
Three years later	11,930	11,394	9,639	12,156	10,416	7,081	8,197	-	-	-
Four years later	13,003	12,659	10,770	12,954	11,027	7,445	-	-	-	-
Five years later	13,351	13,212	11,186	13,125	11,226	-	-	-	-	-
Six years later	13,756	13,480	11,594	13,247	-	-	-	-	-	-
Seven years later	13,721	13,524	11,633	-	-	-	-	-	-	-
Eight years later	13,752	13,522	-	-	-	-	-	-	-	-
Nine years later	13,755	-	-	-	-	-	-	-	-	-
(5) Re-estimated ceded claims and expenses	1,437	10,186	1,408	4,509	279	1,327	910	1,746	1,003	-
(6) Re-estimated incurred claims and expenses:										
End of policy year	17,510	17,427	19,393	21,045	18,300	15,767	16,252	16,058	15,798	15,197
One year later	16,344	17,918	18,752	21,479	16,426	14,151	14,057	14,979	13,486	-
Two years later	15,266	16,859	15,747	17,542	15,182	11,977	11,582	14,044	-	-
Three years later	15,289	15,529	12,861	16,512	14,149	10,400	12,456	-	-	-
Four years later	14,803	14,906	12,382	15,133	12,693	9,384	-	-	-	-
Five years later	14,526	14,324	12,365	14,320	12,253	-	-	-	-	-
Six years later	14,174	13,823	12,023	13,590	-	-	-	-	-	-
Seven years later	14,057	13,655	11,930	-	-	-	-	-	-	-
Eight years later	13,931	13,522	-	-	-	-	-	-	-	-
Nine years later	13,923	-	-	-	-	-	-	-	-	-
(7) Decrease in estimated incurred claims and expenses, end of policy year	(3,587)	(3,905)	(7,463)	(7,455)	(6,047)	(6,383)	(3,796)	(2,014)	(2,312)	-

**MICHIGIAN MUNICIPAL LIABILITY & PROPERTY POOL
INVESTMENT COMPOSITION
AS OF DECEMBER 31, 2006**

TYPE	COST	MARKET VALUE	AVERAGE YIELD
Cash Equivalents	\$1,583,829	\$1,583,829	3.54%
U. S. Treasury Bonds/Notes	\$10,489,872	\$10,258,306	3.60%
U.S. Agency Bonds	\$21,001,732	\$20,760,479	5.17%
Corporate Bonds	\$33,073,478	\$32,707,955	4.75%
Equities	\$10,026,476	\$11,394,638	6.50%
Total Portfolio	\$76,175,388	\$76,705,207	4.65%

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
INVESTMENT SCHEDULE
AS OF DECEMBER 31, 2006**

DESCRIPTION	INTEREST RATE	FACE VALUE	ACTUAL COST	MARKET VALUE
SHORT TERM INVESTMENT				
VICTORY US GOVT OBLIGATIONS FUND		\$1,583,829.21	\$1,583,829.21	\$1,583,829.21
TREASURY INFLATION INDEX BOND				
TREASURY INFLATION INDEX BOND	3.625%	\$749,598.00	\$801,123.86	\$757,588.71
TREASURY INFLATION INDEX BOND	3.875%	632,272.13	621,070.85	632,272.13
		\$1,381,870.13	\$1,422,194.71	\$1,389,860.84
TREASURIES				
TREASURY NOTE	6.000%	\$1,100,000.00	\$1,245,347.65	\$1,133,220.00
TREASURY NOTE	3.000%	1,300,000.00	1,298,644.53	1,272,076.00
TREASURY NOTE	2.625%	310,000.00	299,200.40	296,254.60
TREASURY NOTE	3.125%	700,000.00	694,285.15	679,791.00
TREASURY NOTE	4.250%	275,000.00	270,144.53	267,737.25
TREASURY NOTE	2.750%	500,000.00	499,414.06	493,045.00
TREASURY NOTE	3.375%	700,000.00	701,558.59	675,339.00
TREASURY NOTE	3.625%	1,000,000.00	985,175.78	969,140.00
TREASURY NOTE	4.000%	1,120,000.00	1,085,742.96	1,095,942.40
TREASURY NOTE	3.500%	500,000.00	499,296.88	496,935.00
TREASURY NOTE	4.375%	500,000.00	499,609.38	495,975.00
TREASURY NOTE	3.875%	500,000.00	493,613.28	496,680.00
TREASURY NOTE	4.500%	500,000.00	495,644.53	496,310.00
		\$9,005,000.00	\$9,067,677.72	\$8,868,445.25
U.S. AGENCIES				
FEDERAL HOME LOAN BANK	5.980%	\$500,000.00	\$517,548.00	\$506,405.00
FEDERAL HOME LOAN BANK	3.375%	50,000.00	50,238.50	49,375.00
FEDERAL HOME LOAN BANK	5.000%	1,750,000.00	1,742,312.50	1,746,167.50
FEDERAL HOME LOAN BANK	5.375%	1,850,000.00	1,892,135.25	1,881,801.50
FEDERAL NATIONAL MORTGAGE ACCOC.	3.250%	650,000.00	638,307.15	627,250.00
FEDERAL NATIONAL MORTGAGE ACCOC.	5.500%	675,000.00	716,732.63	689,343.75
FEDERAL HOME LOAN MORTGAGE	6.875%	2,750,000.00	2,938,705.75	2,929,602.50
FEDERAL HOME LOAN MORTGAGE	5.125%	750,000.00	752,499.75	755,392.50
FEDERAL HOME LOAN MORTGAGE	4.300%	500,000.00	500,000.00	493,925.00
FEDERAL HOME LOAN MORTGAGE	5.700%	500,000.00	500,000.00	500,285.00
FEDERAL HOME LOAN MORTGAGE	6.625%	1,180,000.00	1,252,736.38	1,229,040.80
FEDERAL NATIONAL MORTGAGE ACCOC.	5.000%	50,000.00	51,967.85	50,000.00
FEDERAL NATIONAL MORTGAGE ACCOC.	3.375%	1,000,000.00	974,797.00	969,380.00
FEDERAL NATIONAL MORTGAGE ACCOC.	3.875%	325,000.00	314,967.25	315,048.50
FEDERAL NATIONAL MORTGAGE ACCOC.	4.375%	1,000,000.00	1,000,000.00	993,750.00
		\$13,530,000.00	\$13,842,948.01	\$13,736,767.05
MORTGAGE PASS THROUGH				
FHLMC Gold Pool #C44330	6.500%	\$51,352.31	\$43,626.05	\$52,605.31
FHLMC Gold Pool #420164	6.116%	41,370.40	41,450.16	41,812.65
FNMA POOL #303902	7.000%	52,084.66	68,432.59	53,335.21
FNMA POOL #062689	6.072%	39,717.02	36,211.25	40,022.44
GNMA POOL #603681	5.500%	51,284.67	56,260.75	51,097.48
GNMA POOL #781008	6.000%	166,649.99	147,507.55	189,388.38
		\$402,459.05	\$391,488.35	\$408,259.47

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
INVESTMENT SCHEDULE
AS OF DECEMBER 31, 2006**

DESCRIPTION	INTEREST RATE	FACE VALUE	ACTUAL COST	MARKET VALUE
COLLATERALIZED MORTGAGE OBLIGATIONS				
ADJUSTABLE RATE MORTGAGE TRUST	5.222%	\$1,055,000.00	\$1,042,801.56	\$1,047,572.59
CHASE MTG FIN CORP 03-S5	5.500%	454,040.91	468,455.27	\$443,576.45
FHLMC 2687-PM	4.500%	627,000.00	630,624.84	616,305.20
FHLMC 2865-PJ	4.000%	624,651.00	638,869.75	614,324.96
FNA 1990-35E	9.500%	3,905.52	6,636.89	4,147.87
FNMA 1993-107 E	6.500%	95,520.34	83,145.34	95,629.63
BANC OF AMER COM MTG 00-1	7.109%	95,863.15	143,176.01	96,844.30
BEAR STEARNS ADJ RATE MTG TRUST	4.750%	1,000,000.00	978,437.50	977,580.50
COMMERCIAL MTG PASS THRU	3.600%	250,000.00	251,240.74	242,060.98
FHLMC 2780 LC	5.000%	500,000.00	508,593.75	495,295.80
MERRILL LYNCH MTG 1998-C3	5.880%	480,936.33	516,361.33	484,418.65
FNMA 2005-87 CL	5.000%	507,055.90	501,139.86	503,930.26
FHLMC 3063-PB	5.000%	1,000,000.00	997,812.50	993,764.70
		\$6,693,973.15	\$6,767,295.34	\$6,615,452.09
CORPORATE BONDS				
AMERICAN STANDARD INC	7.375%	\$762,000.00	\$809,464.80	\$774,664.44
ABBAY NATIONAL PLC	6.700%	900,000.00	805,194.00	914,058.00
ABBOTT LABORATORIES	5.600%	1,000,000.00	1,000,570.00	1,013,810.00
BAN K OF AMERICA CORP	7.800%	900,000.00	1,017,189.00	966,438.00
BANK OF NEW YORK CO INC	3.400%	1,000,000.00	975,840.00	977,630.00
CARDINAL HEALTH INC	6.750%	530,000.00	560,994.40	555,243.90
CISCO SYSTEMS INC	5.250%	950,000.00	935,083.00	952,384.50
COUNTRYWIDE HOME LOANS	4.250%	300,000.00	302,772.00	296,805.00
COUNTRYWIDE HOME LOANS	6.250%	310,000.00	326,278.10	315,570.70
DAIMLERCHRYSLER NA HLDG CORP	4.700%	450,000.00	450,000.00	450,072.00
DEVELOPERS DIVERSIFIED REALTY CO	3.875%	500,000.00	487,160.00	484,235.00
DEVON FINANCING CORP ULC	6.875%	622,000.00	664,514.04	657,715.24
DIAGEO CAPITAL PLC NOTE	3.500%	500,000.00	496,305.00	492,355.00
GENERAL ELECTRIC CAPITAL	5.375%	1,000,000.00	1,054,040.00	1,000,120.00
GOLDMAN SACHS GROUP INC	5.700%	755,000.00	750,862.60	768,922.20
HOME DEPOT INC	5.250%	1,100,000.00	1,096,968.72	1,091,816.00
INTERNATIONAL LEASE FIN CORP	4.375%	400,000.00	368,876.00	390,668.00
NATIONAL CITY BANK	4.000%	710,000.00	706,430.40	701,345.10
PEMEX FINANCIAL LTD	9.690%	275,000.00	367,500.00	297,126.50
POPULAR NORTH AMERICAN INC	3.875%	550,000.00	541,266.00	535,771.50
PROTECTIVE LIFE SECURED TRUST	3.700%	1,000,000.00	990,185.00	971,770.00
RIO TINTO FIN USA LTD	2.625%	250,000.00	239,610.00	239,130.00
SIMON PROPERTY GROUP	5.750%	750,000.00	747,270.00	757,687.50
SOVEREIGN BANK	4.375%	500,000.00	506,280.00	491,845.00
TOYOTA MOTOR CREDIT NOTE	5.500%	500,000.00	537,465.00	501,470.00
US BANK NA	2.870%	400,000.00	396,256.00	399,184.00
UNION TEXAS PETE BP AMOCO PLC	7.000%	750,000.00	838,987.50	785,525.00
USX CORP MARATHON OIL CORP	6.850%	500,000.00	545,725.00	507,620.00
WELLS FARGO & CO	3.125%	650,000.00	648,979.50	821,634.00
WAL MART STORES INC	4.125%	1,000,000.00	986,240.00	968,850.00
WISCONSIN ELEC PWR CO	3.500%	450,000.00	445,302.00	442,624.50
		\$20,264,000.00	\$20,621,608.06	\$20,304,091.08
ASSET BACKED SECURITIES				
BANK ONE ISSUANCE TRUST	3.450%	1,100,000.00	1,057,269.07	1,064,400.48
CPL TRANSITION FUNDING LLC	5.010%	198,168.56	219,965.44	197,671.16
CAPITAL ONE MULTI-ASSET EXEC TR	7.900%	670,000.00	679,111.23	689,303.30
CITIBANK CR CARD MASTER TRUST	6.050%	1,000,000.00	1,009,492.19	1,008,825.30
CITIBANK CREDIT CARD ISSUANCE TR	4.950%	1,000,000.00	996,406.25	999,845.10
CITIBANK CREDIT CARD ISSUANCE TR	5.450%	1,000,000.00	1,020,664.06	1,013,558.80
FEDERAL HOME LOAN MORTGAGE	4.780%	500,000.00	513,125.00	504,187.45
HARLEY-DAVIDSON MOTORCYCLE TRUST	2.390%	227,367.32	216,207.26	223,940.67
HARLEY-DAVIDSON MOTORCYCLE TRUST	2.280%	273,669.24	281,648.85	269,445.13
HARLEY-DAVIDSON MOTORCYCLE TRUST	2.310%	37,623.78	32,463.64	37,578.27
HOUSEHOLD AUTOMOTIVE TRUST	5.670%	875,000.00	874,960.07	886,714.85
JOHN DEERE OWNER TRUST	3.020%	155,000.00	153,377.34	152,687.49
M&I AUTO LOAN TRUST	3.450%	725,000.00	708,957.02	711,651.69
MNBA MASTER CARD MASTER TR II	7.800%	1,000,000.00	1,117,500.00	1,086,089.00
MBNA MASTER CR CARD TR II	4.950%	450,000.00	449,103.52	450,024.53
PUBLIC SERVICE NEW HAMPSHIRE FDG LLC	5.730%	401,433.09	448,702.68	403,350.01
USSA AUTO OWNER TRUST	5.040%	650,000.00	644,820.31	649,399.99
VOLKSWAGEN AUTO LOAN ENHANCED TR	2.940%	1,171,618.50	1,158,104.75	1,155,889.67
WFS FINANCIAL OWNER TRUST	3.020%	100,995.73	100,976.64	99,773.78
WFS FINANCIAL OWNER TRUST	3.130%	197,739.32	197,660.47	193,724.16
WFS FINANCIAL OWNER TRUST	2.410%	517,577.07	497,733.32	513,533.50
WACHOVIA ASSET SECURITIZATION	5.780%	91,960.66	93,601.29	92,069.58
		\$12,343,153.27	\$12,451,870.40	\$12,403,864.11
TOTAL BONDS		\$63,620,455.80	\$64,565,082.59	\$63,726,739.89

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
INVESTMENT SCHEDULE
AS OF DECEMBER 31, 2006**

<i>DESCRIPTION</i>	<i>INTEREST RATE</i>	<i>FACE VALUE</i>	<i>ACTUAL COST</i>	<i>MARKET VALUE</i>
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<i>COMMON STOCK DESCRIPTION</i>		<i>SHARES</i>	<i>ACTUAL COST</i>	<i>MARKET VALUE</i>
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VANGUARD TOTAL STOCK MARKET ETF		59,250	\$9,079,319.03	9,709,542.50
TOTAL COMMON STOCKS			\$9,079,319.03	\$9,709,542.50
<hr/>				
MUTUAL FUNDS				
MUNDER REAL ESTATE EQUITY		69,232	\$947,157.35	\$1,685,095.85
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TOTAL EQUITIES			\$10,026,476.38	\$11,394,638.35
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TOTAL CASH EQUIVALENTS, BONDS & EQUITIES			\$76,175,388	\$76,705,207
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**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE RECEIVABLES
FOR PERIOD ENDING DECEMBER 31, 2006**

YEAR	SPECIFIC	AGGREGATE	TOTAL	RECEIVED TO DATE	TOTAL RECEIVABLE
1983	12,584	420,134	432,718	432,718	0
1984	1,349,960	370,704	1,720,664	1,720,664	0
1985	139,685	0	139,685	139,685	0
1986	199,015	0	199,015	199,015	0
1987	451,609	30,000	481,609	481,609	0
1988	1,220,942	0	1,220,942	1,220,942	0
1989	164,552	0	164,552	164,552	0
1990	3,358,360	0	3,358,360	3,358,360	0
1991	2,610,358	0	2,610,358	2,610,358	0
1992	214,389	0	214,389	214,389	0
1993	1,070,322	0	1,070,322	1,070,322	0
1994	8,697,084	116,268	8,813,352	8,734,311	79,041
1995	2,025,732	0	2,244,073	2,244,073	0
1996	12,139,606	500,084	12,666,494	12,639,690	26,804
1997	1,168,975	142,691	1,311,666	1,311,666	0
1998	10,186,445	0	10,186,445	10,178,824	7,620
1999	1,259,210	0	1,259,210	1,237,156	22,054
2000	4,497,716	0	4,497,716	4,494,890	2,826
2001	278,212	0	278,212	278,212	0
2002	1,315,338	0	1,315,338	1,327,042	-11,704
2003	929,535	0	929,535	929,535	0
2004	1,013,483	0	1,013,483	933,804	79,679
2005	1,003,224	0	1,003,224	1,003,224	0
2006	221,302	0	221,302	213,887	7,415
TOTALS	55,527,637	1,579,880	57,352,662	57,138,928	213,734

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE EXHIBIT
AS OF DECEMBER 31, 2006**

CEDED REINSURANCE FOR 2006

Column 1 Reinsurer's Federal Employer I.D. Number	Column 2 Name of Reinsurer	Column 3 Location	Column 4 Reinsurance Recoverable on Paid Losses	Column 5 Reinsurance Recoverable on Unpaid Losses	Column 6 Unearned Premiums (Estimated)
#22-2005057	Everest Reinsurance Company	Newark, New Jersey	19,697	208,078	4,982,338
*****	CNA International Reinsurance Company, Ltd.	London, England	137,080	110,772	3,289,687
#52-1479893	NLC Mutual Insurance Company	Washington, D.C.	15,758	158,951	4,020,396
#13-4924125	American Reinsurance Company	Princeton, New Jersey	0	0	0
#06-1273933	Discover Reinsurance Company	Farmington, Connecticut	43,760	692,355	8,040,791
#06-1240885	Hartford Steam Boiler	Hartford, Connecticut	(11,704)	0	0
#38-2227794	Michigan Catastrophic Claims Assoc.	Livonia, Michigan	9,143	159,588	539,827
Total Reinsurance Recoverable on Paid Losses			213,734		

AGING OF REINSURANCE RECOVERABLE ON PAID LOSSES

Column 1 Name of Reinsurer	Column 2 Location	Column 3 0-90 Days	Days Overdue Column 4 91-180 Days	Column 5 181+ Days
American Reinsurance Company	Princeton, New Jersey	0		
Discover Reinsurance Company	Farmington, Connecticut	43,760		
Everest Reinsurance Company	Newark, New Jersey	19,697		
CNA International Reinsurance Company, Ltd.	London, England	0		137,080
Hartford Steam Boiler		(11,704)		
NLC Mutual Insurance Company	Washington, D.C.	15,758		
Michigan Catastrophic Claims Assoc.	Livonia, Michigan	9,143		

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
Michigan Insurance Bureau
Reinsurance Exhibit - UNEARNED REINSURANCE PREMIUM
Source: Year End Reinsurance Worksheet A/C #201
12/31/2006

REINSURER	YEAR	LAYER	PREMIUM ACCRUAL	REINSURANCE RATE	REINSURANCE UNEARNED PREMIUMS	PER REINSURER
USF&G & DISCOVER RE	04-05	500 XS 500	0.00	9.25%	0	
	05-06	"	6,278.97	9.25%	67,881	
	06-07	"	229,935.41	9.00%	2,554,838	
	04-05	1 XS 1	0.00	16.50%	0	
	05-06	"	10,565.91	16.50%	64,036	
	06-07	"	389,045.20	16.00%	2,431,533	
	04-05	3 XS 2	0.00	17.00%	0	
	05-06	"	9,026.33	17.00%	53,096	
	06-07	"	357,012.55	17.00%	2,100,074	
	04-05	5 XS 5	0.00	21.00%	0	
	05-06	"	2,716.93	21.00%	12,938	
	06-07	"	158,843.30	21.00%	756,397	
	04-05	5 XS 10	0.00	4.40%	0	
	05-06	"	0.00	4.40%	0	
	Total 06-07	"	0.00	4.40%	0	8,040,791
EVEREST RE	04-05	500 XS 500	0.00	9.25%	0	
	05-06	"	3,924.35	9.25%	42,425	
	06-07	"	143,709.63	9.25%	1,553,618	
	04-05	1 XS 1	0.00	16.50%	0	
	05-06	"	6,603.70	16.50%	40,022	
	06-07	"	243,153.25	16.00%	1,519,708	
	04-05	3 XS 2	0.00	17.00%	0	
	05-06	"	5,641.46	17.00%	33,185	
	06-07	"	223,132.85	17.00%	1,312,546	
	04-05	5 XS 5	0.00	21.00%	0	
	05-06	"	1,698.08	21.00%	8,086	
	Total 06-07	"	99,277.06	21.00%	472,748	4,982,338
CNA RE (JK BUCKENHAM)	04-05	500 XS 500	0.00	9.25%	0	
	05-06	"	2,354.61	9.25%	25,455	
	06-07	"	79,040.30	8.25%	958,064	
	04-05	1 XS 1	0.00	16.50%	0	
	05-06	"	3,962.22	16.50%	24,013	
	06-07	"	135,588.33	14.87%	911,825	
	04-05	3 XS 2	0.00	17.00%	0	
	05-06	"	3,384.88	17.00%	19,911	
	06-07	"	133,879.71	17.00%	787,528	
	04-05	5 XS 5	0.00	21.00%	0	
	05-06	"	1,018.85	21.00%	4,852	
	Total 06-07	"	114,397.99	20.50%	558,039	3,289,687
NLC MUTUAL	04-05	500 XS 500	0.00	9.25%	0	
	05-06	"	3,139.48	9.25%	33,940	
	06-07	"	114,967.71	9.00%	1,277,419	
	04-05	1 XS 1	0.00	16.50%	0	
	05-06	"	5,282.96	16.50%	32,018	
	06-07	"	194,522.60	16.00%	1,215,766	
	04-05	3 XS 2	0.00	17.00%	0	
	05-06	"	4,513.17	17.00%	26,548	
	06-07	"	178,506.28	17.00%	1,050,037	
	04-05	5 XS 5	0.00	21.00%	0	
	05-06	"	1,358.47	21.00%	6,469	
	Total 06-07	"	79,421.65	21.00%	378,198	4,020,396
GRAND TOTAL			2,945,904.19			
GAND TOTAL					20,333,212.55	

Instructions:

The purpose of this worksheet is to determine the unearned reinsurance premium for inclusion in the CAFR schedule entitled "CEDED REINSURANCE", Col 6 Unearned Premiums. This report calculates the reinsurance premium by taking the reinsurance accrual, dividing it by the reinsurance premium rate which results in unearned premium.

MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL
CLAIMS RESERVE ANALYSIS SCHEDULE
AS OF DECEMBER 31, 2006

PROPERTY & LIABILITY
CLAIMS RESERVE SUMMARY
(net of reinsurance)
(000's)

ACCIDENT YEAR	TOTAL CLAIM PAYMENTS	TOTAL REPORTED RESERVES	TOTAL IBNR RESERVES	TOTAL CLAIM RESERVES	TOTAL INCURRED RESERVES	CLAIM RESERVE DISCOUNT	DISCOUNTED CLAIM RESERVES
1983	\$413	\$0	\$0	\$0	\$413	\$0	\$0
1984	1,898	0	0	0	1,898	0	0
1985	4,646	0	11	11	4,657	0	11
1986	6,922	0	0	0	6,922	0	0
1987	9,738	0	0	0	9,738	0	0
1988	7,152	0	0	0	7,152	0	0
1989	10,683	0	0	0	10,683	0	0
1990	9,828	0	4	4	9,832	0	4
1991	7,160	0	0	0	7,160	0	0
1992	8,540	0	9	9	8,549	0	9
1993	11,147	0	11	11	11,158	0	11
1994	19,022	81	0	81	19,103	0	81
1995	15,528	0	0	0	15,528	0	0
1996	15,200	0	0	0	15,200	0	0
1997	13,755	167	0	167	13,922	8	159
1998	13,522	0	0	0	13,522	0	0
1999	11,633	191	106	297	11,930	18	279
2000	13,247	23	320	343	13,590	12	331
2001	11,226	278	749	1,027	12,253	45	982
2002	7,445	1,070	869	1,939	9,384	92	1,847
2003	8,197	2,639	1,619	4,258	12,455	203	4,055
2004	7,756	3,475	2,813	6,288	14,044	314	5,974
2005	4,234	2,333	6,919	9,252	13,486	505	8,747
2006	2,376	3,043	9,778	12,821	15,197	923	11,898
TOTALS	\$221,268	\$13,300	\$23,208	\$36,508	\$257,776	\$2,120	\$34,388

UNALLOCATED LOSS EXPENSE	\$812
TOTAL DISCOUNTED CLAIM RESERVES	\$35,200

MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL
CLAIMS RESERVE ANALYSIS SCHEDULE
AS OF DECEMBER 31, 2006

ACCIDENT YEAR	PROPERTY (net of reinsurance) (000's)				TOTAL CLAIM RESERVES	TOTAL INCURRED RESERVES
	CLAIM PAYMENTS	REPORTED RESERVES	IBNR RESERVES			
1983	\$18	\$0	\$0	\$0	\$0	\$18
1984	190	0	0	0	0	190
1985	165	0	0	0	0	165
1986	189	0	0	0	0	189
1987	409	0	0	0	0	409
1988	152	0	0	0	0	152
1989	496	0	0	0	0	496
1990	543	0	0	0	0	543
1991	726	0	0	0	0	726
1992	656	0	0	0	0	656
1993	791	0	0	0	0	791
1994	1,125	0	0	0	0	1,125
1995	967	0	0	0	0	967
1996	1,121	0	0	0	0	1,121
1997	1,339	0	0	0	0	1,339
1998	1,175	0	0	0	0	1,175
1999	1,282	0	0	0	0	1,282
2000	1,689	0	0	0	0	1,689
2001	1,353	0	0	0	0	1,353
2002	1,555	1	0	0	1	1,556
2003	1,045	0	0	0	0	1,045
2004	1,303	0	0	0	0	1,303
2005	1,049	28	168	196	196	1,245
2006	961	367	0	367	367	1,328
TOTALS	\$20,299	\$396	\$168	\$564	\$564	\$20,863

MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL
CLAIMS RESERVE ANALYSIS SCHEDULE
AS OF DECEMBER 31, 2006

ALL LIABILITY LINES COMBINED
(net of reinsurance)
(000's)

ACCIDENT YEAR	CLAIM PAYMENTS	REPORTED RESERVES	IBNR RESERVES	TOTAL CLAIM RESERVES	TOTAL INCURRED RESERVES
1983	\$395	\$0	\$0	\$0	\$395
1984	1,708	0	0	0	1,708
1985	4,481	0	11	11	4,492
1986	6,733	0	0	0	6,733
1987	9,329	0	0	0	9,329
1988	7,000	0	0	0	7,000
1989	10,187	0	0	0	10,187
1990	9,285	0	4	4	9,289
1991	6,434	0	0	0	6,434
1992	7,884	0	9	9	7,893
1993	10,356	0	11	11	10,367
1994	17,897	81	0	81	17,978
1995	14,561	0	0	0	14,561
1996	14,079	0	0	0	14,079
1997	12,416	167	0	167	12,583
1998	12,347	0	0	0	12,347
1999	10,351	191	106	297	10,648
2000	11,558	23	320	343	11,901
2001	9,873	278	749	1,027	10,900
2002	5,890	1,069	869	1,938	7,828
2003	7,152	2,639	1,619	4,258	11,410
2004	6,453	3,475	2,813	6,288	12,741
2005	3,185	2,305	6,751	9,056	12,241
2006	1,415	2,676	9,778	12,454	13,869
TOTALS	\$200,969	\$12,904	\$23,040	\$35,944	\$236,913

Michigan Municipal League Liability and Property Pool
Ten Year Claim Development Information (000's)
As of December 31, 2006

Total All Lines Combined

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(3) Estimated incurred losses and LAE, end of year	17,510	17,427	19,393	21,045	18,300	15,767	16,252	16,058	15,798	15,197
(4) Paid (cumulative) as of:										
End of year	3,065	2,774	3,002	3,842	2,754	2,438	2,167	2,498	2,263	2,376
One year later	6,253	5,316	5,975	7,162	4,987	4,243	4,358	4,881	4,234	
Two years later	8,777	8,851	8,124	10,055	8,027	5,900	6,608	7,756		
Three years later	11,930	11,394	9,639	12,156	10,522	7,081	8,197			
Four years later	13,003	12,659	10,770	12,836	11,027	7,445				
Five years later	13,351	13,212	11,067	13,125	11,226					
Six years later	13,756	13,430	11,594	13,247						
Seven years later	13,577	13,524	11,633							
Eight years later	13,752	13,522								
Nine years later	13,755									
(5) Reestimated incurred losses and ALAE as of:										
End of year	17,510	17,427	19,393	21,045	18,300	15,767	16,252	16,058	15,798	15,197
One year later	16,344	17,918	18,752	21,479	16,426	14,151	14,057	14,979	13,486	
Two years later	15,266	16,859	15,747	17,542	15,182	11,977	11,582	14,044		
Three years later	15,289	15,529	12,861	16,512	14,149	10,400	12,456			
Four years later	14,803	14,906	12,382	15,133	12,693	9,384				
Five years later	14,526	14,324	12,365	14,320	12,253					
Six years later	14,124	13,823	12,023	13,590						
Seven years later	14,057	13,655	11,930							
Eight years later	13,931	13,522								
Nine years later	13,923									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(3,579)	(3,772)	(7,370)	(6,725)	(5,607)	(5,367)	(4,670)	(1,079)	(2,312)	----

Michigan Municipal League Liability and Property Pool
Ten Year Claim Development Information (000's)
As of December 31, 2006

Deductible Offsets

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(3) Estimated deductibles, end of year	1,799	1,261	1,331	927	(401)	676	803	(92)	89	652
(4) Paid (cumulative) as of:										
End of year	225	143	132	78	2	73	88	494	72	112
One year later	789	784	479	378	227	361	420	252	278	
Two years later	1,010	874	1,070	662	520	679	885	503		
Three years later	1,054	1,197	1,341	832	844	907	1,054			
Four years later	1,140	1,260	1,570	1,051	1,026	847				
Five years later	1,198	1,166	1,534	1,079	1,001					
Six years later	1,170	1,257	1,547	1,065						
Seven years later	1,206	1,257	1,564							
Eight years later	1,187	1,256								
Nine years later	1,186									
(5) Reestimated incurred deductibles as of:										
End of year	1,799	1,261	1,331	927	(401)	676	803	(92)	89	652
One year later	1,448	1,685	1,339	(516)	792	848	361	(121)	6	
Two years later	1,328	1,211	1,425	924	788	113	738	281		
Three years later	1,328	1,296	1,468	915	801	615	442			
Four years later	1,169	1,294	1,663	756	1,000	492				
Five years later	1,198	1,188	1,644	810	665					
Six years later	1,170	1,357	1,643	871						
Seven years later	1,206	1,255	1,595							
Eight years later	1,186	1,256								
Nine years later	1,186									
(6) Increase (decrease) in estimated deductibles from end of year	(613)	(5)	264	(56)	1,066	(184)	(361)	373	(83)	---

Michigan Municipal League Liability and Property Pool
Ten Year Claim Development Information (000's)
As of December 31, 2006

	Property									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(3) Estimated incurred losses and LAE, end of year	1,650	1,411	1,349	2,176	1,121	1,865	1,456	1,608	1,216	1,649
(4) Paid (cumulative) as of:										
End of year	1,077	941	812	1,072	803	1,161	808	1,478	667	954
One year later	1,515	1,127	1,347	1,738	1,201	1,623	1,088	1,408	1,180	
Two years later	1,363	1,028	1,404	1,785	1,353	1,630	1,056	1,403		
Three years later	1,442	1,016	1,396	1,748	1,353	1,761	1,053			
Four years later	1,443	1,127	1,544	1,642	1,353	1,662				
Five years later	1,482	1,179	1,283	1,754	1,353					
Six years later	1,483	1,068	1,401	1,765						
Seven years later	1,339	1,122	1,400							
Eight years later	1,463	1,120								
Nine years later	1,463									
(5) Reestimated incurred losses and ALAE as of:										
End of year	1,650	1,411	1,349	2,176	1,121	1,865	1,456	1,608	1,216	1,649
One year later	1,620	1,276	1,468	1,813	1,285	1,714	1,107	1,408	1,206	
Two years later	1,454	1,035	1,438	1,816	1,353	1,671	1,056	1,403		
Three years later	1,444	1,018	1,397	1,750	1,247	1,761	1,053			
Four years later	1,443	1,129	1,544	1,738	1,353	1,663				
Five years later	1,482	1,179	1,402	1,754	1,353					
Six years later	1,483	1,179	1,401	1,765						
Seven years later	1,483	1,122	1,400							
Eight years later	1,463	1,120								
Nine years later	1,463									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(187)	(291)	51	(411)	232	(202)	(403)	(205)	(10)	---

Michigan Municipal League Liability and Property Pool
Ten Year Claim Development Information (000's)
As of December 31, 2006

Auto Physical Damage

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(3) Estimated incurred losses and LAE, end of year	1,350	1,277	1,402	1,329	1,218	1,037	1,052	961	1,185	962
(4) Paid (cumulative) as of:										
End of year	1,151	1,105	1,132	1,143	980	805	844	796	849	807
One year later	1,172	1,199	1,342	1,287	1,133	958	936	876	1,113	
Two years later	1,169	1,198	1,340	1,286	1,124	958	950	876		
Three years later	1,169	1,193	1,340	1,284	1,120	958	950			
Four years later	1,169	1,193	1,340	1,284	1,118	958				
Five years later	1,169	1,193	1,340	1,284	1,118					
Six years later	1,169	1,193	1,340	1,284						
Seven years later	1,169	1,193	1,340							
Eight years later	1,169	1,193								
Nine years later	1,169									
(5) Reestimated incurred losses and ALAE as of:										
End of year	1,350	1,277	1,402	1,329	1,218	1,037	1,052	961	1,185	962
One year later	1,172	1,200	1,348	1,288	1,136	959	940	876	1,115	
Two years later	1,169	1,198	1,340	1,287	1,124	959	950	876		
Three years later	1,169	1,193	1,340	1,284	1,124	958	950			
Four years later	1,169	1,193	1,340	1,284	1,118	958				
Five years later	1,169	1,193	1,340	1,284	1,118					
Six years later	1,169	1,193	1,340							
Seven years later	1,169	1,193								
Eight years later	1,169									
Nine years later	1,169									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(181)	(84)	(62)	(45)	(100)	(79)	(102)	(85)	(70)	---

Michigan Municipal League Liability and Property Pool
Ten Year Claim Development Information (000's)
As of December 31, 2006

Auto Liability

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(3) Estimated incurred losses and LAE, end of year	2,500	2,000	2,600	2,771	1,496	1,390	1,661	1,559	1,492	1,106
(4) Paid (cumulative) as of:										
End of year	211	170	445	199	125	129	175	151	173	142
One year later	1,510	248	602	556	255	198	847	415	314	
Two years later	1,804	515	713	1,442	406	380	905	877		
Three years later	2,040	539	726	1,814	1,247	475	1,328			
Four years later	2,450	589	726	1,924	1,324	474				
Five years later	2,456	632	726	1,924	1,323					
Six years later	2,437	632	726	1,924						
Seven years later	2,437	632	726							
Eight years later	2,437	632								
Nine years later	2,437									
(5) Reestimated incurred losses and ALAE as of:										
End of year	2,500	2,000	2,600	2,771	1,496	1,390	1,661	1,559	1,492	1,106
One year later	2,500	1,500	1,917	2,198	1,139	967	1,745	1,487	1,190	
Two years later	2,500	924	1,504	2,119	1,181	681	1,320	1,644		
Three years later	2,638	674	815	2,087	1,432	527	1,462			
Four years later	2,529	686	758	1,984	1,365	474				
Five years later	2,456	632	726	1,953	1,323					
Six years later	2,437	632	726	1,926						
Seven years later	2,437	632	726							
Eight years later	2,437	632								
Nine years later	2,437									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(63)	(1,368)	(1,874)	(845)	(173)	(916)	(199)	85	(302)	---

Michigan Municipal League Liability and Property Pool
Ten Year Claim Development Information (000's)
As of December 31, 2006

Police Liability

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(3) Estimated incurred losses and LAE, end of year	3,000	3,500	3,784	2,788	2,661	2,783	2,805	3,016	3,554	3,943
(4) Paid (cumulative) as of:										
End of year	27	39	18	36	41	57	28	40	4	6
One year later	234	925	274	384	317	276	200	504	233	
Two years later	567	1,596	708	1,055	1,329	952	1,575	1,273		
Three years later	1,389	2,658	1,171	1,874	2,032	1,459	2,319			
Four years later	1,561	3,229	1,396	2,381	2,434	1,696				
Five years later	1,649	3,212	1,519	2,489	2,578					
Six years later	1,713	3,232	1,527	2,492						
Seven years later	1,713	3,232	1,528							
Eight years later	1,713	3,232								
Nine years later	1,713									
(5) Reestimated incurred losses and ALAE as of:										
End of year	3,000	3,500	3,784	2,788	2,661	2,783	2,805	3,016	3,554	3,943
One year later	2,300	4,506	3,664	3,002	2,589	2,831	3,144	3,751	3,132	
Two years later	1,978	4,145	2,574	2,805	2,836	2,594	3,455	4,024		
Three years later	1,920	3,845	1,727	3,134	3,406	2,747	3,622			
Four years later	1,861	3,769	1,705	2,940	3,140	2,609				
Five years later	1,773	3,445	1,646	2,647	2,859					
Six years later	1,713	3,323	1,620	2,492						
Seven years later	1,713	3,232	1,589							
Eight years later	1,713	3,232								
Nine years later	1,713									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(1,287)	(268)	(2,195)	(296)	198	(174)	817	1,008	(422)	---

Michigan Municipal League Liability and Property Pool
Ten Year Claim Development Information (000's)
As of December 31, 2006

Public Officials Liability

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(3) Estimated incurred losses and LAE, end of year	4,409	4,000	4,728	4,890	5,060	3,971	4,444	4,846	4,939	5,161
(4) Paid (cumulative) as of:										
End of year	146	115	161	194	235	82	121	147	190	155
One year later	815	970	1,051	1,050	1,032	697	821	1,152	743	
Two years later	1,595	1,962	2,261	1,754	1,917	1,550	1,552	2,744		
Three years later	1,848	2,387	2,707	2,311	2,717	2,134	1,969			
Four years later	2,129	2,556	3,448	2,548	2,858	2,233				
Five years later	2,202	2,644	3,624	2,565	2,889					
Six years later	2,518	2,737	4,011	2,565						
Seven years later	2,518	2,743	4,032							
Eight years later	2,549	2,743								
Nine years later	2,552									
(5) Reestimated incurred losses and ALAE as of:										
End of year	4,409	4,000	4,728	4,890	5,060	3,971	4,444	4,846	4,939	5,161
One year later	3,800	4,021	4,759	4,443	4,562	3,773	3,723	4,416	3,911	
Two years later	3,088	3,751	4,424	3,721	4,183	3,488	3,094	4,606		
Three years later	2,612	3,490	4,200	3,373	3,866	3,248	3,816			
Four years later	2,843	3,182	4,288	3,166	3,485	2,745				
Five years later	3,000	3,092	4,555	2,882	3,218					
Six years later	2,800	2,963	4,297	2,712						
Seven years later	2,854	2,873	4,228							
Eight years later	2,728	2,743								
Nine years later	2,720									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(1,689)	(1,257)	(500)	(2,178)	(1,842)	(1,226)	(628)	(240)	(1,028)	---

Michigan Municipal League Liability and Property Pool
Ten Year Claim Development Information (000's)
As of December 31, 2006

General Liability

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(3) Estimated incurred losses and LAE, end of year	6,400	6,500	6,861	8,771	6,343	5,397	5,637	3,976	3,501	3,028
(4) Paid (cumulative) as of:										
End of year	678	547	566	1,276	572	277	279	379	451	424
One year later	1,796	1,631	1,838	2,525	1,276	852	886	776	929	
Two years later	3,289	3,426	2,768	3,395	2,418	1,109	1,455	1,086		
Three years later	5,096	4,798	3,640	3,957	2,897	1,201	1,632			
Four years later	5,391	5,226	3,886	4,108	2,966	1,269				
Five years later	5,591	5,518	4,108	4,188	2,966					
Six years later	5,606	5,824	4,135	4,282						
Seven years later	5,607	5,858	4,171							
Eight years later	5,607									
Nine years later	5,607									
(5) Reestimated incurred losses and ALAE as of:										
End of year	6,400	6,500	6,861	8,771	6,343	5,397	5,637	3,976	3,501	3,028
One year later	6,400	7,100	7,171	8,219	6,507	4,755	3,759	2,920	2,938	
Two years later	6,405	7,119	5,892	6,718	5,208	2,697	2,445	1,772		
Three years later	6,671	6,605	4,850	5,799	3,725	1,774	1,995			
Four years later	6,127	6,241	4,410	4,777	3,041	1,427				
Five years later	5,844	5,971	4,340	4,609	3,047					
Six years later	5,692	5,890	4,282	4,282						
Seven years later	5,607	5,858	4,242							
Eight years later	5,607									
Nine years later	5,607									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(793)	(642)	(2,619)	(4,489)	(3,296)	(3,970)	(3,642)	(2,204)	(563)	---

**MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, & 1997**

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenues:										
Earned Premiums	\$25,923,952	\$25,677,807	\$25,173,739	\$24,294,519	\$22,507,378	\$21,833,792	\$21,987,818	\$23,727,953	\$23,918,241	\$23,846,829
Less - Reinsurance Premiums	9,291,071	9,229,647	10,023,227	8,277,194	7,885,956	5,903,144	5,066,269	6,822,300	6,086,728	5,923,775
Net Earned Premiums	\$16,632,881	\$16,448,160	\$15,150,511	\$16,017,325	\$14,621,422	\$15,930,648	\$16,921,549	\$16,905,653	\$17,831,513	\$17,923,054
Investment Income (Note 2)	3,564,664	2,899,956	2,532,362	2,534,613	2,679,917	3,151,521	3,236,827	3,431,669	2,735,248	3,289,415
Net increase in the fair value of investments (Note 3)	1,451,912	(1,123,173)	(464,922)	961,640	(192,492)	(26,572)	1,026,226	(929,699)	1,844,310	1,795,078
Other	30,661	45,752	-15,182	37,719	334,124	6,104	6,179	20,953	12,585	
Total Revenues	\$21,680,119	\$18,270,695	\$17,202,770	\$19,551,297	\$17,442,971	\$19,061,701	\$21,190,781	\$19,428,576	\$22,423,656	\$23,007,547
Expenses:										
Claims Expense Incurred	\$10,488,799	\$10,198,440	\$8,969,070	\$11,342,983	\$5,305,276	\$14,107,304	\$17,672,286	\$18,921,323	\$17,275,431	\$14,361,502
Service Fees	4,375,804	4,359,146	4,096,156	4,335,717	4,353,660	4,414,602	4,735,260	4,393,870	4,483,715	4,710,989
Administrative Expenses	307,526	282,485	248,379	289,233	324,234	318,458	480,536	405,403	444,356	335,314
Distribution to Participants	0	0	0	0	0	0	0	0	0	0
Total Expenses	\$15,172,128	\$14,840,071	\$13,313,605	\$15,967,933	\$9,983,170	\$18,840,364	\$22,888,082	\$23,720,596	\$22,203,502	\$19,407,805
Change in Accounting Principle (Note 1)	-	-	-	-	-	-	-	-	-	-
Excess of Revenues over Expenses	\$6,507,990	\$3,430,624	\$3,889,165	\$3,583,364	\$7,459,802	\$221,337	(\$1,697,301)	(\$4,292,020)	\$220,154	\$3,599,742

Note 1 - Cumulative effect on prior years (to December 31, 1987) of changing to a different reserve valuation method.

Note 2 - The Pool's investment in NLC Mutual Insurance Company is accounted for under the equity method.

Note 3 - The Pool adopted GASB 31 in 1998 which requires unrealized investment gains & losses to be reported as a component of income. Accordingly, 1997 revenue and expenses have also been restated.

**MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995, 1994, 1993, 1992, 1991, 1990, 1989, 1988, 1987, 1986, 1985, & 1984**

	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
Revenues:													
Earned Premiums	\$24,457,774	\$24,765,824	\$23,728,005	\$22,047,344	\$19,878,280	\$17,855,465	\$17,108,822	\$16,371,502	\$15,960,142	\$14,840,270	\$13,457,325	\$4,857,474	\$1,694,711
Less - Reinsurance Premiums	6,001,787	6,453,813	7,044,520	6,470,767	5,129,814	4,554,878	4,120,351	4,393,732	4,300,485	4,124,611	4,347,936	1,538,427	412,263
Net Earned Premiums	\$18,455,987	\$18,312,011	\$16,683,485	\$15,576,577	\$14,748,466	\$13,300,587	\$12,988,471	\$11,977,770	\$11,659,657	\$10,715,659	\$9,109,389	\$3,319,047	\$1,282,448
Investment Income (Note 2)	3,436,013	3,691,182	2,236,254	4,401,719	3,567,148	3,336,819	2,602,246	2,043,302	1,361,573	916,319	544,272	194,980	97,246
Net increase in the fair value of investments (Note 3)													
Other													
Total Revenues	\$21,892,000	\$22,003,193	\$18,919,739	\$19,978,296	\$18,315,614	\$16,637,406	\$15,590,717	\$14,021,072	\$13,021,230	\$11,631,978	\$9,653,661	\$3,514,027	\$1,379,694
Expenses:													
Claims Expense Incurred	\$17,616,865	\$12,789,204	\$8,542,228	\$12,624,959	\$20,891,408	\$13,314,822	\$12,942,008	\$7,994,026	\$11,296,139	\$7,388,034	\$5,551,932	\$2,329,191	\$942,765
Service Fees	4,351,458	4,314,234	3,938,646	3,957,270	3,695,151	2,614,931	2,729,113	2,891,359	2,510,847	2,336,682	2,053,207	754,915	331,461
Administrative Expenses	302,367	292,776	374,949	435,750	465,141	359,870	388,618	403,614	134,250	106,981	50,985	35,845	16,479
Distribution to Participants	2,409,977	0	0	0	0	0	0	0	0	0	0	0	70,000
Total Expenses	\$24,680,667	\$17,396,214	\$12,855,823	\$17,017,979	\$25,051,700	\$16,289,623	\$16,059,739	\$11,288,999	\$13,941,236	\$9,831,697	\$7,656,124	\$3,119,951	\$1,360,705
Change in Accounting Principle (Note 1)	-	-	-	-	-	-	-	-	1,325,000	-	-	-	-
Excess of Revenues over Expenses	(\$2,788,667)	\$4,606,979	\$6,063,916	\$2,960,317	(\$6,736,086)	\$347,783	(\$459,022)	\$2,732,073	\$404,994	\$1,800,281	\$1,997,537	\$394,076	\$18,989

Note 1 - Cumulative effect on prior years (to December 31, 1987) of changing to a different reserve valuation method.

Note 2 - The Pool's investment in NLC Mutual Insurance Company is accounted for under the equity method.

Note 3 - The Pool adopted GASB 31 in 1998 which requires unrealized investment gains & losses to be reported as a component of income. Accordingly, 1997 revenue and expenses have also been restated.

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE RECOVERABLES ON UNPAID LOSSES BY REINSURER
AS OF DECEMBER 31, 2006

CLAIM	Layer	Recoverable	MMLPP Share	MCCA	Discover Re (USF&G)	Everest Re	JK Buck	NLC Mutual	American Re	Reinsurers' Total
Charlevoix Property	-	20.00	-	-	20.00	-	-	-	-	20.00
Fraser Property (2006)	-	4,251.66	-	-	4,251.66	-	-	-	-	4,251.66
Goose Island Brewery vs Keego Harbor	1	125,184.43	-	-	50,073.77	25,036.89	37,555.33	12,518.44	-	125,184.43
Grandville Property	-	300,000.00	-	-	300,000.00	-	-	-	-	300,000.00
Horton vs 48th District Court	2	30,962.26	-	-	13,933.02	7,740.57	3,096.23	6,192.45	-	30,962.26
Leusby vs. Alpena	-	148,590.57	-	-	-	-	-	-	-	148,590.57
Park vs Brownstown	-	10,997.18	-	-	-	-	-	-	-	10,997.18
Pentwater Property	-	5,000.00	-	-	5,000.00	-	-	-	-	5,000.00
Wilkerson vs Wyandotte	2	701,200.52	-	-	315,540.23	175,300.13	70,120.05	140,240.10	-	701,200.52
Ulrica Property	-	3,536.02	-	-	3,536.02	-	-	-	-	3,536.02
Total Reinsurance Recoverable		1,329,742.64	-	159,587.75	692,354.70	208,077.58	110,771.61	158,951.00	-	1,329,742.64

**Michigan Municipal League Liability and Property Pool
Operating Demographic Information**

<i>Descriptions</i>	2007	2006	2005	2004	2003	2002	2001	2000
Total Numbers of Members	395	397	396	396	387	387	683	777
Total Number of Employees	18,016	18,164	18,183	18,184	18,386	18,913	21,582	21,096
Total Number of Elected Officials	2,531	2,563	2,558	2,567	2,504	2,418	5,483	5,185
Total Fire Departments	119	148	150	147	141	134	265	516
Total Law Enforcement Agencies	201	209	207	207	203	201	232	227
Total Ambulance/Rescue Agencies	9	12	13	14	44	45	123	156
Total Water Service Operations	203	210	209	190	184	177	202	190
Total Sewer Plant Operations	167	176	167	149	145	144	199	169
Total Municipal Marinas	26	28	26	25	24	28	27	28
Total Acres Municipal Parks & Playgrounds	16,642	17,004	16,497	13,830	14,167	11,684	16,763	26,740
Total Miles of Streets and Roads	5,754	5,809	4,331	4,812	5,332	6,187	6,616	7,250
Total Vehicles	7,623	7,818	7,818	7,632	7,490	8,590	9,048	9,137
Total Value of Property	3,728,377,522	3,878,319,378	3,640,314,583	3,395,301,993	3,329,361,644	3,084,312,139	3,343,672,692	3,106,030,518

Police Officers by Class

Class A	Full Time Officers, including Chief,					
Class B	with arrest authority	2,251	2,384	2,379	2,362	
Class C	Part-time, Auxiliary or Reserve	537	526	526	507	
Class D	with arrest authority	638	660	655	663	
Class E	Part-time, Auxiliary or Reserve					
Class F	with no arrest authority					
	Clerical, Dispatchers, Civil					
	Process, Jailers, Matrons, Court	617	635	632	684	
	Dogs, Horses	37	36	37	50	
Total		4,080	4,241	4,229	4,266	

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE HISTORY
As of December 31, 2006

COVERAGE	REINSURER	SPECIFIC	ATTACHMENT	PARTI- CIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
PERIOD			AGGREGATE				
LIABILITY & AUTO							
12/1/82-7/9/84 (Occurrence)	MEAD RE	900M X 100M	705,272 PREM*60%	100.0%	725,270 449,194 1,175,454	15.7% LIAB 17.9% AUTO	115,477 80,404 195,881
7/10/84-2/18/85 (Occurrence)	CORPORATE UNDERWRITERS TREATY	900 X 100M	1,259,812 PREM*60%	100.0%	1,285,864 813,490 2,099,354	19.69% LIAB 21.89% AUTO	253,187 178,073 431,260
3/1/85-86 (Occurrence)	UNITED INS CO	850M X 150M	5,105,545 PREM*90%	100.0%	5,672,828	33%	\$1,872,033
6/15/85-3/1/86 (Occurrence)	PINE TOP ANECO RE EBCO DOMINION CO OF AMERICA FLA EXCHGE (11 SYND)	1MM X 1MM		50.0% 15.0% 10.0% 2.0% 23.0%	3,385,540	30%	1,016,662
12/1/85-3/1/86 (Occurrence)	EFFECTIVE 1/1/86 PINE TOP MML POOL PRUDENTIAL RE ANECO RE EMPLOYERS MUT. CAS SIGNET RE EBBTIDE INDEMNITY STAR	1MM X 2MM		(20%) 20.0% 35.0% 15.0% 8.0% 7.5% 27.0% 7.5%	1,151,252	25.0% (175,000M&D)	287,519
4/1/86-87 (Claims Made)	ANECO RE INTERAMERICA RE STAR RIVERPLATE RE IMPERIAL CASUALTY MML POOL	500M X 500M 500M DEDUCT IN LAYER		30.0% 20.0% 20.0% 15.0% 7.5% 7.5%	7,118,386	20.0% (1,000,000M&D)	1,423,677
4/1/86-87 (Claims Made)	PRUDENTIAL RE EBSCO INTL ANECO RE UW STAR FLA EXCHG (10 SYND)	1MM X 1MM		30.0% 25.0% 12.5% 2.5% 30.0%	5,975,794	27.5% (1,000,000M&D)	1,644,165
1/1/87-4/1/87 (Claims Made)	CLASSIC SYND-ILL EXCH			13.5%			
4/1/86-87 (Claims Made)	STAR	5MM X 125%		100.0%	7,118,386	100/70 * LOSSES	30,000M&D

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE HISTORY
As of December 31, 2008

COVERAGE PERIOD	REINSURER	SPECIFIC	ATTACHMENT	PARTICIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
10/1/86-87 (Claims Made)	NLC RE	1MM X 2MM		50.0%	664,496	QUOTA SHARE	332,248
	MML POOL			50.0%			
	ANECO RE U/W	500M X 500M		30.0%	6,936,264	12.5%	867,033
	FORUM RE U/W	500M DEDUCT IN LAYER		30.0%		(850,000 M&D)	
4/1/87-88 (Claims Made)	STAR			15.0%			
	IMPERIAL CASUALTY			10.0%			
	CLASSIC SYND-ILL EXCH			10.0%			
	CORONET			5.0%			
4/1/87-89 (Claims Made)	PRUDENTIAL RE	1MM X 1MM		30.0%	5,819,439	25.0%	1,454,860
	ANECO RE U/W			10.0%		(1,500,000M&D)	
	FORUM RE U/W			10.0%			
	STAR			10.0%			
4/1/87-89 (Claims Made)	TOOLUNG MANUF. INS. LTD.			10.0%			
	CLASSIC SYND-ILL EXCH			10.0%			
	NLC RE			20.0%			
	STAR		5MM X 125%	100.0%	6,936,264	100.70% LOSSES	30,000 M & D
10/1/87-89 (Claims Made)	NLC RE	1MM X 2MM		50.0%	443,828	QUOTA SHARE	221,914
	MML POOL	CANCELLED 4/1/88		50.0%			
	ANECO RE	500M X 500M		25.0%	7,237,549	11.75%	850,412
	FORUM RE	250M DEDUCT IN LAYER		25.0%			(770,000 M&D)
4/1/88-89 (Claims Made)	STAR			20.0%			
	CORONET			15.0%			
	CLASSIC SYND-ILL EXCH			15.0%			
	PRUDENTIAL RE	1MM X 1MM		30.0%	6,121,860	22.0%	1,345,809
4/1/88-89 (Claims Made)	BELVEDERE			20.0%			(1,200,000 M&D)
	ANECO RE			12.5%			
	FORUM RE			12.5%			
	CLASSIC SYND-ILL EXCH			12.5%			
4/1/88-89 (Claims Made)	STAR			12.5%			
	MINET-LONDON	3MM X 2MM		50.00%	3,540,564	25.0%	885,141
	PRUDENTIAL RE			16.67%			(1,100,000 M&D)
	NLC MUTUAL			16.67%			
4/1/89-90 (Claims Made)	MML POOL			16.67%			
	ANECO RE	500M X 500M		37.50%	7,370,000	4.0%	275,000
	FORUM RE	750M DEDUCT OR 1% OF		37.50%	EST.	M & D	
	STAR	PREM IN LAYER		25.00%			

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE HISTORY
As of December 31, 2006

COVERAGE PERIOD	REINSURER	SPECIFIC	ATTACHMENT	PARTICIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
4/1/89-90 (Claims Made)	PRUDENTIAL RE	1MM X 1MM		40.00%	5,500,000	22.0%	1,487,263
	NLC MUTUAL			30.00%	EST.		(1,200,000 M&D)
	ANECO RE			10.00%	6,665,107		
	FORUM RE			10.00%	ACTUAL		
	DORINCO RE			10.00%			
4/1/89-90 (Claims Made)	NLC MUTUAL	3MM X 2MM		90.00%	4,800,000	25.0%	1,200,000
	MML POOL			10.00%			(1,000,000 M&D)
	PRUDENTIAL RE	1MM X 1MM		60.00%	6,000,000	22.0%	1,200,000
	CNA RE & LLOYDS			40.00%	EST.		M & D
4/1/90-91 (Occurrence)	NLC MUTUAL	3MM X 2MM		96.00%	5,000,000	23.0%	1,200,000
	MML POOL			4.00%	EST.		MIN
					5,253,917		1,208,378
					ACTUAL		ACTUAL
4/1/91-92 (Occurrence)	PRUDENTIAL RE	1MM X 1MM		70.00%	EST 6,500,000	20.0%	1,400,000 D
	CNA RE INTRNL LTD			30.00%	ACT 7,708,047		ACT 1,079,127
					CNA EST -		
					8,250,000	19.0%	390,000 D
4/1/91-92 (Occurrence)	CNA RE INTRNL LTD	3MM X 2MM		80.00%	4,404,000	21.0%	925,000
	NLC MUTUAL			20.00%	EST.		MINIMUM
	TRANSAMERICA	500 X 500		60.00%	EST 9,000,000	13.0%	1,200,000 D
	PRUDENTIAL RE			30.00%	ACT 9,682,665		ACT 1,258,746
4/1/92-93 (Occurrence)	MML POOL			10.00%			
	TRANSAMERICA	1MM X 1MM		35.00%	EST 8,500,000	15.0%	1,300,000 D
	PRUDENTIAL RE			25.00%	ACT 8,605,942		ACT 1,290,891
	CNA RE INTRNL LTD			30.00%			
4/1/92-93 (Occurrence)	NLC MUTUAL			10.00%			
	TRANSAMERICA	3MM X 2MM		20.00%	EST 4,800,000	19.0%	950,000 D
	PRUDENTIAL RE			10.00%	ACT 5,708,239		ACT 1,084,565
	CNA RE INTRNL LTD			60.00%			
4/1/92-93 (Occurrence)	NLC MUTUAL			10.00%			
	TRANSAMERICA	5MM X 5MM		50.00%	EST 2,700,000	15.0%	500,000 D
	PRUDENTIAL RE			10.00%	ACT 2,019,023		
	CNA RE INTRNL LTD			30.00%			
4/1/93-94 (Occurrence)	NLC MUTUAL			10.00%			
	TRANSAMERICA	500 X 500		60.00%	EST 10,770,000	14.0%	1,507,800 D
	PRUDENTIAL RE			30.00%	ACT 10,794,104		ACT 1511,175
	MML POOL			10.00%			

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2006

COVERAGE PERIOD	REINSURER	ATTACHMENT		PARTICIPATION	BASE		REIN RATE	REIN PREMIUM
		SPECIFIC	AGGREGATE		CIPATION	PREMIUM		
4/1/93-94 (Occurrence)	TRANSAMERICA	1MM X 1MM		35.00%	EST 9,700,000		14.0%	1,358,000 D
	PRUDENTIAL RE			25.00%	ACT 9,598,732			ACT 1,342,422
	CNA RE INTRNL LTD			30.00%				
	NLC MUTUAL			10.00%				
4/1/93-94 (Occurrence)	TRANSAMERICA	3MM X 2MM		20.00%	EST 6,450,000		19.0%	1,161,000 D
	PRUDENTIAL RE			10.00%	ACT 6,330,728			ACT 1,139,531
	CNA RE INTRNL LTD			60.00%				
	NLC MUTUAL			10.00%				
4/1/93-94 (Occurrence)	TRANSAMERICA	5MM X 5MM		50.00%	ACT 2,060,403		15.0%	450,000 DEPOSIT
	PRUDENTIAL RE			10.00%				
	CNA RE INTRNL LTD			30.00%				JH 550,000
	NLC MUTUAL			10.00%				
4/1/94-95 (Occurrence)	TRANSAMERICA	500 x 500		60.00%	EST 11,449,000		10.7%	1,225,000 D
	PRUDENTIAL RE	\$500,000 DEDUCTIBLE		30.00%	ACT 10,915,510			ACT 1,167,960
	NLC MUTUAL			10.00%				
	TRANSAMERICA	1MM X 1MM		35.00%	EST 10,400,000		13.0%	1,352,000 D
4/1/94-95 (Occurrence)	PRUDENTIAL RE			25.00%	ACT 9,618,747			ACT 1,250,437
	CNA RE INTRNL LTD			30.00%				
	NLC MUTUAL			10.00%				
	TRANSAMERICA	3MM X 2MM		20.00%	EST 6,900,000		18.0%	1,242,000 D
4/1/94-95 (Occurrence)	PRUDENTIAL RE			10.00%	ACT 6,546,290			ACT 1,178,332
	CNA RE INTRNL LTD			60.00%				
	NLC MUTUAL			10.00%				
	TRANSAMERICA	5MM X 5MM		50.00%	EST 2,667,000		15.0%	400,000
4/1/94-95 (Occurrence)	PRUDENTIAL RE			10.00%	ACT 2,179,253			JH=450,000 MIN
	CNA RE INTRNL LTD			30.00%				
	NLC MUTUAL			10.00%				
	TRANSAMERICA	500 x 500		60.00%	EST 11,500,000		10.7%	1,230,500 D
4/1/95-96 (Occurrence)	PRUDENTIAL RE	\$500,000 DEDUCTIBLE		30.00%	ACT 11,390,261			ACT 1,218,758
	NLC MUTUAL			10.00%				
	TRANSAMERICA	1MM X 1MM		35.00%	EST 10,400,000		12.0%	1,248,000 D
	PRUDENTIAL RE			25.00%	ACT 10,299,665			ACT 1,235,984
4/1/95-96 (Occurrence)	CNA RE INTRNL LTD			30.00%				
	NLC MUTUAL			10.00%				
	TRANSAMERICA	3MM X 2MM		20.00%	EST 6,900,000		17.0%	1,173,000 D
	PRUDENTIAL RE			10.00%	ACT 7,248,636			ACT 1,232,268
4/1/95-96 (Occurrence)	CNA RE INTRNL LTD			60.00%				
	NLC MUTUAL			10.00%				
	TRANSAMERICA							
	PRUDENTIAL RE							

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE HISTORY
As of December 31, 2006

COVERAGE	REINSURER	ATTACHMENT		PARTI-	BASE		REIN RATE	REIN PREMIUM
PERIOD		SPECIFIC	AGGREGATE	CIPATION	PREMIUM			
4/1/95-96 (Occurrence)	III TRANSAMERICA	III 5MM x 5MM	III	III 50.00%	III EST 2,667,000	III	15.0%	400,000 M&D
	III PRUDENTIAL RE	III	III	III 10.00%	III ACT 2,894,575	III		III ACT 434,186
	III CNA RE INTRNL LTD	III	III	III 30.00%	III	III	12.0%	III CNA=550,000 D
	III NLC MUTUAL	III	III	III 10.00%	III	III		III
4/1/96-97 (Occurrence)	III USF&G	III 500 x 500	III	III	III	III		III
	III EVEREST RE (PRUDENTIAL)	III \$500,000 DEDUCTIBLE	III	III 60.00%	III EST 12,000,000	III	9.38%	1,125,600 D
	III NLC MUTUAL	III	III	III 30.00%	III ACT 12,189,742	III		III ACT 1,143,398
	III	III	III	III 10.00%	III	III		III
4/1/96-97 (Occurrence)	III USF&G	III 1MM x 1MM	III	III 35.00%	III EST 10,800,000	III	10.25%	1,107,000 D
	III EVEREST RE (PRUDENTIAL)	III	III	III 25.00%	III ACT 11,185,519	III		III ACT 1,144,465
	III CNA RE INTRNL LTD	III	III	III 30.00%	III	III		III
	III NLC MUTUAL	III	III	III 10.00%	III	III		III
4/1/96-97 (Occurrence)	III USF&G	III 3MM x 2MM	III	III 20.00%	III EST 7,200,000	III	14.35%	1,033,200 D
	III EVEREST RE (PRUDENTIAL)	III	III	III 10.00%	III ACT 8,529,078	III		III ACT 1,223,923
	III CNA RE INTRNL LTD	III	III	III 60.00%	III	III		III
	III NLC MUTUAL	III	III	III 10.00%	III	III		III
4/1/96-97 (Occurrence)	III USF&G	III 5MM x 5MM	III	III 50.00%	III EST 3,542,000	III	12.0%	425,000 M&D
	III EVEREST RE (PRUDENTIAL)	III	III	III 10.00%	III ACT 3,181,338	III		III ACT 425,000
	III CNA RE INTRNL LTD	III	III	III 30.00%	III	III		III
	III NLC MUTUAL	III	III	III 10.00%	III	III		III
4/1/97-98 (Occurrence)	III DISCOVER RE (USF&G)	III 500 x 500	III	III 40.00%	III EST 12,000,000	III	8.50%	1,020,000 D
	III CNA RE INTRNL LTD	III	III	III 30.00%	III ACT 12,359,569	III		III ACT 1,053,963
	III EVEREST RE (PRUDENTIAL)	III	III	III 20.00%	III	III		III
	III NLC MUTUAL	III	III	III 10.00%	III	III		III
4/1/97-98 (Occurrence)	III DISCOVER RE (USF&G)	III 1MM x 1MM	III	III 35.00%	III EST 10,800,000	III	10.25%	1,107,000 D
	III EVEREST RE (PRUDENTIAL)	III	III	III 25.00%	III ACT 11,558,452	III		950,000 M
	III CNA RE INTRNL LTD	III	III	III 30.00%	III	III		III ACT 1,184,129
	III NLC MUTUAL	III	III	III 10.00%	III	III		III
4/1/97-98 (Occurrence)	III DISCOVER RE (USF&G)	III 3MM x 2MM	III	III 20.00%	III EST 7,200,000	III	14.35%	1,033,200 D
	III EVEREST RE (PRUDENTIAL)	III	III	III 10.00%	III ACT 8,792,289	III		950,000 M
	III CNA RE INTRNL LTD	III	III	III 60.00%	III	III		III ACT 1,259,933
	III NLC MUTUAL	III	III	III 10.00%	III	III		III
4/1/97-98 (Occurrence)	III DISCOVER RE (USF&G)	III 5MM x 5MM	III	III 50.00%	III EST 3,542,000	III	12.0%	425,000 M&D
	III EVEREST RE (PRUDENTIAL)	III	III	III 10.00%	III ACT 3,393,928	III		III ACT 419,862
	III CNA RE INTRNL LTD	III	III	III 30.00%	III	III		III
	III NLC MUTUAL	III	III	III 10.00%	III	III		III
4/1/98-98 (Occurrence)	III DISCOVER RE (USF&G)	III 500 x 500	III	III 40.00%	III EST 12,100,000	III	8.50%	1,028,500 D
	III CNA RE INTRNL LTD	III	III	III 30.00%	III ACT 12,386,568	III		III ACT 1,052,858
	III EVEREST RE (PRUDENTIAL)	III	III	III 20.00%	III	III		III
	III NLC MUTUAL	III	III	III 10.00%	III	III		III

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2006

COVERAGE PERIOD	REINSURER	SPECIFIC	ATTACHMENT	AGGREGATE	PARTICIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
4/1/98-99 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM			35.00%	EST 11,100,888	9.97%	1,107,000 D
	EVEREST RE (PRUDENTIAL)				25.00%	ACT 11,596,381		950,000 M
	CNA RE INTRNL LTD				30.00%			ACT 1,155,461
	NLC MUTUAL				10.00%			
4/1/98-99 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM			20.00%	EST 8,483,640	12.97%	1,100,000 D
	EVEREST RE (PRUDENTIAL)				10.00%	ACT 9,023,871		950,000 M
	CNA RE INTRNL LTD				60.00%			ACT 1,168,824
	NLC MUTUAL				10.00%			
4/1/98-99 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM			50.00%	EST 3,542,000	12.0%	400,000 D
	EVEREST RE (PRUDENTIAL)				10.00%	ACT 3,884,750		300,000 M
	CNA RE INTRNL LTD				30.00%			ACT 468,170
	NLC MUTUAL				10.00%			
4/1/99-2000 (Occurrence)	DISCOVER RE (USF&G)	500 x 500			40.00%	EST 12,114,228	8.50%	1,030,000 D
	CNA RE INTRNL LTD				30.00%	ACT 11,350,247		ACT 964,771
	EVEREST RE (PRUDENTIAL)				20.00%			
	NLC MUTUAL				10.00%			
4/1/99-2000 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM			35.00%	EST 11,100,888	9.97%	1,107,000 D
	EVEREST RE (PRUDENTIAL)				25.00%	ACT 10,640,137		950,000 M
	CNA RE INTRNL LTD				30.00%			ACT 1,060,273
	NLC MUTUAL				10.00%			
4/1/99-2000 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM			20.00%	EST 8,483,640	12.97%	1,100,000 D
	EVEREST RE (PRUDENTIAL)				10.00%	ACT 8,236,949		950,000 M
	CNA RE INTRNL LTD				60.00%			ACT 1,066,897
	NLC MUTUAL				10.00%			
4/1/99-2000 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM			50.00%	EST 3,332,000	14.0%	467,000 D
	EVEREST RE (PRUDENTIAL)				10.00%	ACT 3,631,470		400,000 M
	CNA RE INTRNL LTD				30.00%			ACT 508,405
	NLC MUTUAL				10.00%			
4/1/99-2000	DISCOVER RE (USF&G)	Aggregate Retention			100.00%			80,000
								Annual & Deposit
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	500 x 500			38.00%	EST 11,500,000	6.47%	487,500 D
	EVEREST RE (PRUDENTIAL)				17.00%	ACT 10,718,077		ACT 450,749
	NLC MUTUAL				10.00%			
	CNA RE INTRNL LTD	THREE TIMES CORRIDOR			35.00%	EST 11,600,000	12.93%	1,030,000 D
						ACT 10,718,077		ACT 485,047
	DISCOVER RE (USF&G)	Clash Retention			59.00%	Flat Premium		150,000
	EVEREST RE (PRUDENTIAL)				26.00%	Charge		
	NLC MUTUAL				15.00%			

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE HISTORY
As of December 31, 2006

COVERAGE PERIOD	REINSURER	SPECIFIC	ATTACHMENT	PARTICIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM		38.00%	EST 11,000,000	11.36%	812,500 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 9,983,323		650,000 M
	NLC MUTUAL			10.00%			ACT 737,169
	CNA RE INTRNL LTD			35.00%	EST 11,000,000	12.72%	490,000 D
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		38.00%	EST 8,300,000	14.46%	780,000 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 8,020,667		650,000 M
	NLC MUTUAL			10.00%			ACT 753,952
	CNA RE INTRNL LTD			35.00%	EST 8,300,000	15.66%	455,000 D
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM		38.00%	EST 3,600,000	16.19%	378,950 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 3,276,369		325,000 M
	NLC MUTUAL			10.00%			ACT 344,789
	CNA RE INTRNL LTD			35.00%	EST 3,600,000	16.66%	210,000 D
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	Aggregate Retention		100.00%	ACT 3,276,369		ACT 191,045
	EVEREST RE (PRUDENTIAL)						95,000
	NLC MUTUAL						Annual & Deposit
	CNA RE INTRNL LTD						487,500 D
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM		38.00%	EST 10,500,000	12.75%	870,187.50 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 10,027,974		650,000 M
	NLC MUTUAL			10.00%			ACT 1,278,352
	CNA RE INTRNL LTD			35.00%	EST 10,500,000	12.75%	
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		38.00%	EST 8,500,000	16.15%	892,287.50 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 8,111,640		650,000 M
	NLC MUTUAL			10.00%			ACT 1,310,030
	CNA RE INTRNL LTD			35.00%	EST 8,500,000	16.15%	
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM		38.00%	EST 3,500,000	17.85%	406,087.50 D
	EVEREST RE (PRUDENTIAL)			17.00%	ACT 3,376,217		325,000 M
	NLC MUTUAL			10.00%			ACT 602,655
	CNA RE INTRNL LTD			35.00%	EST 3,500,000	17.85%	
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	Aggregate Retention		100.00%			80,000
	EVEREST RE (PRUDENTIAL)						Annual & Deposit
	NLC MUTUAL						
	CNA RE INTRNL LTD						

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE HISTORY
As of December 31, 2006

COVERAGE PERIOD	REINSURER	SPECIFIC ATTACHMENT	PARTICIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
4/1/02-2003 (Occurrence)	DISCOVER RE (USF&G)	500 x 500	50.00%	EST 11,200,000	11.05%	1,178,352 D
	EVEREST RE (PRUDENTIAL)	\$1,000,000 DEDUCTIBLE	25.00%	ACT 10,663,821	12.3%	ACT 1,237,600
	NLC MUTUAL	TWO TIMES CORRIDOR	25.00%			
4/1/02-2003 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM	50.00%	EST 10,900,000	18.78%	1,895,608 D
	EVEREST RE (PRUDENTIAL)		25.00%	ACT 10,093,761	21.3%	ACT 2,047,020
	NLC MUTUAL		25.00%			
4/1/02-2003 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM	50.00%	EST 9,700,000	17.00%	1,402,353 D
	EVEREST RE (PRUDENTIAL)		25.00%	ACT 8,249,134	20.9%	ACT 1,649,000
	NLC MUTUAL		25.00%			
4/1/02-2003 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM	50.00%	EST 4,000,000	23.06%	749,972 D
	EVEREST RE (PRUDENTIAL)		17.00%	ACT 3,252,262	27.7%	ACT 848,795
	NLC MUTUAL		25.00%			
	MM L&PP		8.00%			
4/1/02-2003	DISCOVER RE (USF&G)	Aggregate Retention	100.00%			80,000
4/01/03-2004	DISCOVER RE (MARSH)	500 x 500	45.00%	EST 14,100,000	9.3%	1,304,250 D
	EVEREST RE (PRUDENTIAL)	\$1,000,000 DEDUCTIBLE	25.00%	ACT 14,695,613		ACT 1,359,344
	NLC MUTUAL	TWO TIMES CORRIDOR	20.00%			
	JK BUCKENHAM		10.00%			
4/01/03-2004	DISCOVER RE (MARSH)	1MM X 1MM	45.00%	EST 13,600,000	16.5%	2,244,000 D
	EVEREST RE (PRUDENTIAL)		25.00%	ACT 13,932,728		ACT 2,298,900
	NLC MUTUAL		20.00%			
	JK BUCKENHAM		10.00%			
4/01/03-2004	DISCOVER RE (MARSH)	3MM X 2MM	45.00%	EST 11,700,000	17.0%	1,989,000 D
	EVEREST RE (PRUDENTIAL)		25.00%	ACT 11,171,476		ACT 1,899,151
	NLC MUTUAL		20.00%			
	JK BUCKENHAM		10.00%			
4/01/03-2004	DISCOVER RE (MARSH)	5MM X 5MM	45.00%	EST 5,600,000	21.0%	1,176,000 D
	EVEREST RE (PRUDENTIAL)		25.00%	ACT 4,17,828		ACT 1,058,400
	NLC MUTUAL		20.00%			MINIMUM PREM APPLIES
	JK BUCKENHAM		10.00%			
4/01/03-2004	DISCOVER RE (USF&G)	Aggregate Retention	100.00%			80,000

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE HISTORY
As of December 31, 2006

COVERAGE PERIOD	REINSURER	SPECIFIC	ATTACHMENT	PARTICIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
4/01/04-2005	DISCOVER RE (MARSH)	500 x 500					
	EVEREST RE (PRUDENTIAL)	\$1,000,000 DEDUCTIBLE		45.00%	EST 13,600,000	9.25%	1,258,000 D
	NLC MUTUAL	TWO TIMES CORRIDOR		25.00%	ACT 14,288,097		ACT 1,321,849
	JK BUCKENHAM			20.00%			
	JK BUCKENHAM			10.00%			
4/01/04-2005	DISCOVER RE (MARSH)	1MM X 1MM					
	EVEREST RE (PRUDENTIAL)			45.00%	EST 13,100,000	16.5%	2,161,500 D
	NLC MUTUAL			25.00%	ACT 13,576,248		ACT 2,240,081
	JK BUCKENHAM			20.00%			
	JK BUCKENHAM			10.00%			
4/01/04-2005	DISCOVER RE (MARSH)	3MM X 2MM					
	EVEREST RE (PRUDENTIAL)			45.00%	EST 11,300,000	17.0%	1,921,000 D
	NLC MUTUAL			25.00%	ACT 10,982,586		ACT 1,846,840
	JK BUCKENHAM			20.00%			
	JK BUCKENHAM			10.00%			
4/01/04-2005	DISCOVER RE (MARSH)	5MM X 5MM					
	EVEREST RE (PRUDENTIAL)			45.00%	EST 4,500,000	21.0%	945,000 D
	NLC MUTUAL			25.00%	ACT 4,089,347		ACT 858,783
	JK BUCKENHAM			20.00%			
	JK BUCKENHAM			10.00%			
4/01/04-2005	DISCOVER RE (USF&G)	Aggregate Retention		100.00%			80,000
4/01/05-2006	DISCOVER RE (MARSH)	500 x 500					
	EVEREST RE (PRUDENTIAL)	\$1,000,000 DEDUCTIBLE		40.00%		9.25%	1,322,750 D
	NLC MUTUAL	TWO TIMES CORRIDOR		25.00%			
	JK BUCKENHAM			20.00%			
	JK BUCKENHAM			15.00%			
4/01/05-2006	DISCOVER RE (MARSH)	1MM X 1MM					
	EVEREST RE (PRUDENTIAL)			40.00%	13,800,000	16.5%	2,277,000 D
	NLC MUTUAL			25.00%			
	JK BUCKENHAM			20.00%			
	JK BUCKENHAM			15.00%			
4/01/05-2006	DISCOVER RE (MARSH)	3MM X 2MM					
	EVEREST RE (PRUDENTIAL)			40.00%	11,500,000	17.0%	1,955,000 D
	NLC MUTUAL			25.00%			
	JK BUCKENHAM			20.00%			
	JK BUCKENHAM			15.00%			
4/01/05-2006	DISCOVER RE (MARSH)	5MM X 5MM					
	EVEREST RE (PRUDENTIAL)			40.00%	4,500,000	21.0%	945,000 D
	NLC MUTUAL			25.00%			
	JK BUCKENHAM			20.00%			
	JK BUCKENHAM			15.00%			
4/01/05-2006	DISCOVER RE (USF&G)	Aggregate Retention		100.00%			50,000
1/1/92-12/31/92	MICHIGAN CATASTROPHIC	EXCESS OF \$250,000					
	CLAIMS ASSOCIATION			100.00%	PER VEHICLE	\$110.58	847,160
1/1/93-12/31/93	MICHIGAN CATASTROPHIC	EXCESS OF \$250,000					
	CLAIMS ASSOCIATION			100.00%	PER VEHICLE	\$118.69	1,054,889
1/1/94-12/31/94	MICHIGAN CATASTROPHIC	EXCESS OF \$250,000					
	CLAIMS ASSOCIATION			100.00%	PER VEHICLE	\$115.72	1,042,136
1/1/95-12/31/95	MICHIGAN CATASTROPHIC	EXCESS OF \$250,000					
	CLAIMS ASSOCIATION			100.00%	PER VEHICLE	\$96.95	923,966

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE HISTORY
As of December 31, 2006

COVERAGE PERIOD	REINSURER	SPECIFIC ATTACHMENT	CIPATION	PARTI-	BASE PREMIUM	REIN RATE	REIN PREMIUM
1/1/96-12/31/96	III CLAIMS ASSOCIATION	III	III	III	III	III	
	III MICHIGAN CATASTROPHIC	III	III	III	III	III	760,413
	III CLAIMS ASSOCIATION	III	III	100.00%	III PER VEHICLE	III \$72.57	
1/1/97-12/31/97	III	III	III	III	III	III	
	III MICHIGAN CATASTROPHIC	III	III	100.00%	III PER VEHICLE	III \$14.94	153,810
	III CLAIMS ASSOCIATION	III	III	III	III	III	
1/1/98-12/31/98	III MICHIGAN CATASTROPHIC	III	III	100.00%	III PER VEHICLE	III \$5.60	57,653
	III CLAIMS ASSOCIATION	III	III	III	III	III	
1/1/99-12/31/99	III MICHIGAN CATASTROPHIC	III	III	100.00%	III PER VEHICLE	III \$5.60	56,986
	III CLAIMS ASSOCIATION	III	III	III	III	III	
1/1/00-12/31/00	III MICHIGAN CATASTROPHIC	III	III	100.00%	III PER VEHICLE	III \$5.60	53,517
	III CLAIMS ASSOCIATION	III	III	III	III	III	
1/1/01-12/31/01	III MICHIGAN CATASTROPHIC	III	III	100.00%	III PER VEHICLE	III \$14.41	133,369
	III CLAIMS ASSOCIATION	III	III	III	III	III	Actual
1/1/02-6/30/02	III MICHIGAN CATASTROPHIC	III	III	100.00%	III PER VEHICLE	III \$71.15 x .50	300,348
	III CLAIMS ASSOCIATION	III	III	III	III	III	Actual
7/1/02-6/30/03	III MICHIGAN CATASTROPHIC	III	III	100.00%	III WRITTEN VEH YR	III \$69.00	532,075
	III CLAIMS ASSOCIATION	III	III	III	III	III	Actual
7/1/03-6/30/04	III MICHIGAN CATASTROPHIC	III	III	100.00%	III WRITTEN CAR YR	III \$100.20	743,234
	III CLAIMS ASSOCIATION	III	III	III	III	III	Actual
7/1/04-6/30/05	III MICHIGAN CATASTROPHIC	III	III	100.00%	III WRITTEN CAR YR	III \$127.24	966,265
	III CLAIMS ASSOCIATION	III	III	III	III	III	Actual
7/1/05-6/30/06	III MICHIGAN CATASTROPHIC	III	III	100.00%	III WRITTEN CAR YR	III \$141.70	1,078,301
	III CLAIMS ASSOCIATION	III	III	III	III	III	Actual
7/1/06-6/30/07	III MICHIGAN CATASTROPHIC	III	III	100.00%	III WRITTEN CAR YR	III \$137.33	1,079,654
	III CLAIMS ASSOCIATION	III	III	III	III	III	Est
7/1/07-6/30/08	III MICHIGAN CATASTROPHIC	III	III	100.00%	III WRITTEN CAR YR	III \$123.15	
	III CLAIMS ASSOCIATION	III	III	III	III	III	

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE HISTORY
As of December 31, 2006

COVERAGE PERIOD	REINSURER	ATTACHMENT		PARTICIPATION	BASE		REIN RATE	REIN PREMIUM
		SPECIFIC	AGGREGATE		PREMIUM	INSURED VALUE		
12/1/82-5/15/84	BACCALA & SHOOP-TWIN CITY FIRE	50,000	162,010	100.0%	270,017	25.0%	69,394	
			PREM*60%					
5/16/84-12/31/84	AFFILIATED FM	50,000/BLDG	94,500	100.0%	296,009	.05/100IV	112,620	
		100,000/OCC	FLAT					
		50,000/BLDG	200,000	100.0%	1,213,093	.065/100IV	431,275	
		100,000/OCC	FLAT					
1/1/85-86	AFFILIATED FM	50,000/BLDG	400,000	100.0%	3,022,172	.075/100IV	812,039	
		100,000/OCC	FLAT					
		50,000/BLDG	400,000	100.0%	3,087,042	.077/100IV	960,449	
		100,000/OCC	FLAT					
1/1/86-87	AFFILIATED FM	100,000/BLDG	500,000	100.0%	3,203,602	.065/100IV	922,968	
		200,000/OCC	FLAT					
		100,000/BLDG	750,000	100.0%	1,400,000,000	.067/100TIV	367,227	
		250,000/OCC	FLAT					
6/1/89-1/1/90	ARKWRIGHT	100,000/BLDG	750,000	100.0%	1,400,000,000	.063/100TIV	506,000	
		250,000/OCC	FLAT					
		100,000/LOC	750,000	100.0%	1,622,000,000	.065/100TIV	1,054,353	
		250,000/OCC	FLAT					
1/1/91-1/1/92	ARKWRIGHT	100,000/LOC	750,000	100.0%	1,960,000,000	.064/100TIV	1,262,000	
		250,000/OCC	FLAT					
		100,000/LOC	750,000	100.0%	2,029,000,000	.065/1/100TIV	1,402,586	
		250,000/OCC	FLAT					
1/1/93-1/1/94	AMERICAN REINSURANCE CO	100,000/OCC	750,000	100.0%	3,923,571	\$.39	1,530,193	
			MIN.					

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2006

COVERAGE PERIOD	REINSURER	SPECIFIC	ATTACHMENT AGGREGATE	PARTICIPATION	BASE PREMIUM	REIN RATE	REIN PREMIUM
1/1/94-1/1/95	AMERICAN REINSURANCE CO	100,000/OCC	750,000	100.0%	3,845,955	\$.39	1,501,482
			MIN.				
1/1/95-1/1/96	AMERICAN REINSURANCE CO	100,000/OCC	750,000	100.0%	4,169,000	\$.39	1,625,976
			MIN.				Profit (157,123)
1/1/96-1/1/97	AMERICAN REINSURANCE CO	100,000/OCC	750,000	100.0%	3,436,875	\$.39	1,340,381
			MIN.				
1/1/97-1/1/98	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	3,832,403	\$.368	1,410,324
1/1/98-12/31/1998	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	3,900,202	\$.368	1,438,218
1/1/99-12/31/1999	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	4,198,240	\$.368	1,544,952
					est		
1/1/00-12/31/2000	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	4,076,087	\$.368	1,317,554
					est		ACT
1/1/01-12/31/2001	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	3,580,582	\$.368	1,414,744
							Actual
1/1/02-12/31/2002	AMERICAN REINSURANCE CO	100,000/OCC	2,222,500	100.0%	TV	Various	1,916,449
							Est
1/1/03-12/31/2003	AMERICAN REINSURANCE CO	100,000/OCC	2,500,000	100.0%	TV	Various	1,467,640
							Est
	HARTFORD STEAM BOILER	BOILER & MACHINERY		100.0%			

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL
REINSURANCE HISTORY
As of December 31, 2006

COVERAGE PERIOD	REINSURER	SPECIFIC	ATTACHMENT AGGREGATE	CIPATION	PARTI-	BASE PREMIUM	REIN RATE	REIN PREMIUM
1/1/04-12/31/2004	DISCOVER RE	5,000,000 xs 100,000		100.0%				839,363
	ST. PAUL	70,000,000 xs 5,000,000		100.0%				210,000
	HARTFORD STEAM BOILER	50,000,000 xs 75,000,000		100.0%				67,500
	LIBERTY MUTUAL	100,000,000 xs 125,000,000		100.0%				90,000
	HARTFORD STEAM BOILER	BOILER & MACHINERY		100.0%				46,265
		100,000,000 xs 100,000						
1/1/05-12/31/2005	DISCOVER RE	5,000,000 xs 100,000		100.0%				900,687
	CHUBB INSURANCE GROUP	220,000,000 xs 5,100,000		100.0%				351,250
	BOILER & MACHINERY							
	HARTFORD STEAM BOILER	5,000,000 xs 100,000		100.0%				166,119
	CHUBB INSURANCE GROUP	95,000,000 xs 5,100,000		100.0%				25,213
1/1/06-12/31/2006	DISCOVER RE	5,000,000 xs 100,000		100.0%				1,011,159
	CHUBB INSURANCE GROUP	220,000,000 xs 5,100,000		100.0%				413,956
	BOILER & MACHINERY							
	HARTFORD STEAM BOILER	5,000,000 xs 100,000		100.0%				191,490
	CHUBB INSURANCE GROUP	95,000,000 xs 5,100,000		100.0%				28,065*
								*Prem ind in Chubb above

Memorandum

TO: Michael J. Forster, Director, Risk Management Services
FROM: Larry Peck, Risk Manager
SUBJECT: Pool Reinsurance History and Current Reinsurance Evaluation
DATE: April 18, 2006

This memo documents the history of the MML Liability and Property Pool reinsurance placements and presents an analysis of the current status of the various insurance arrangements. It is also useful to summarize this very important aspect of Pool financial management. This memo replaces the one written on April 25, 2005.

Following is a brief summary of each reinsurance contract in chronological order.

CONTRACT NO. 1 MEAD REINSURANCE

12/01/82 - 07/09/84

This contract was effective at the inception of the Pool and was originally for a three-year period, but was canceled 07/09/84. It provided specific reinsurance excess of the Pool's retention of \$100,000 and aggregate protection excess of the Pool retention of \$705,000. Mead Reinsurance is a subsidiary of Mead Corporation and wrote this contract with terms very favorable to the Pool. With a premium of about \$200,000, Mead paid losses of about \$1.1 million.

Mead Re, which has been in a run off position for many years, was purchased by MidStates Insurance Co. in 1997. MidStates has continued to run off Mead Re's liabilities.

The last large case under this contract was settled in 1990 for \$450,000 and reimbursement from Mead Re was received. There should be no activity under this contract in the future.

CONTRACT NO. 2 CORPORATE UNDERWRITERS TREATY

07/10/84 - 02/18/85

When Mead Reinsurance canceled its contract due to losses, coverage was replaced by this treaty arranged by Corporate Underwriters. There was litigation involved with this contract over claims recoveries. Efforts to

recover reinsurance payments in excess of the Pool's retention of \$100,000 per claim and \$1,250,000 annual aggregate were partially successful. Settlements were made with all solvent reinsurers and there should be no further activity. A total of \$1,310,000 was recovered from the reinsurers and Meadowbrook, the Pool's broker for this reinsurance contract.

(Note: The Pool was without reinsurance support from 2/19/85 until 3/1/85)

CONTRACT NO. 3 UNITED INSURANCE COMPANY

03/01/85 - 03/01/86

The Corporate Underwriter's treaty was replaced by a policy with United Insurance Company, with the Pool retaining \$150,000 per occurrence and 90% of gross written premium. The cost was 33% of written premium and United was paid \$1,872,000. United paid claims totaling about \$340,000. There should be no further activity under this contract.

CONTRACT NO. 4 PINE TOP INSURANCE COMPANY

06/15/85 - 03/01/86

This policy provided limits of \$1 million excess of \$1 million, and was written to enable the Pool to offer limits in excess of \$1 million for the first time. It was canceled prior to anniversary due to the insolvency of Pine Top. To date there are no claims under this contract, and none are expected. The Pool paid more than \$1 million for no coverage.

(It should be noted that in 1985 through 1987, the availability of municipal insurance and reinsurance was almost nonexistent from traditional insurance sources. The Pool was not alone during this period in searching for reinsurance capacity from sources that later proved to be unreliable.)

CONTRACT NO. 5 PRUDENTIAL RE, ET AL

12/01/85 - 03/01/86

This was the Pool's first contract with Prudential Reinsurance, which provided coverage of \$1 million excess of \$2 million. It was canceled when the underlying contract with Pine Top was canceled. There were no losses under this contract.

In 1996, Prudential Re was spun off by Prudential in a public offering, and it changed its name to Everest Re (another big rock). Everest Re's 2000 A.M. Best rating is A+ XII.

(Note: The Pool was without reinsurance support from 3/1/86 until 4/1/86.)

CONTRACT NO. 6 ANECO RE INSURANCE, ET AL

04/01/86 - 04/01/87

This is a primary policy replacing the policy with United Insurance Company, which was not renewed. The Pool reduced its premium and increased its risk by increasing its retention per occurrence to \$500,000, and eliminating its aggregate retention. The limit provided was \$500,000 excess of \$500,000. The Pool also retained a \$500,000 deductible in the insured layer. This is the Pool's first contract with Aneco which provided 30% of the coverage and also with Star Insurance Company which provided 20%. Riverplate Reinsurance, which provided 15% of this coverage, is insolvent. Aneco and Imperial Casualty (7.5%) also are being liquidated. There are two claims exceeding the Pool's retention, both of which were paid for by the Pool's deductible. *Waidener v. Grand Rapids* cost \$539,616 and *Brauer v. Romeo* cost \$583,703.

CONTRACT NO. 7 PRUDENTIAL RE, ET AL

04/01/86 - 04/01/87

This contract was written to enable the Pool to provide a \$2 million limit to members. Prudential Reinsurance provided 30% of the coverage which provided \$1 million excess of \$1 million. The Florida Insurance Exchange, which is no longer in existence, provided 30% of the coverage, but 13% of that was subsequently placed with the Classic Syndicate on the Illinois Insurance Exchange. The Classic Syndicate was declared insolvent in early 1997. Aneco had 12.5%. The Pool paid \$1,644,000 for this coverage. There have been no claims under this contract.

CONTRACT NO. 8 STAR INSURANCE COMPANY

04/01/86 - 04/01/87

Star Insurance Company is a subsidiary of Meadowbrook Insurance Group. This contract was written to comply with Michigan law that requires group self-insurers to carry \$5 million aggregate reinsurance. It provided \$5 million coverage in excess of Pool retention equal to 125% of earned premium, and had a provision that the Pool would reimburse Star for any claims at a rate equal to 100/70 of losses. There have

been no claims under this contract.

CONTRACT NO. 9 NLC MUTUAL

10/01/86 - 10/01/87

This contract provided \$1 million excess of \$2 million of coverage enabling the Pool to offer members limits of \$3 million. NLC-MIC is a captive insurance company that reinsures participating state municipal leagues. NLC and the Pool shared this coverage 50/50. This was a period of high membership growth due to the deterioration of the conventional insurance market for public entities. NLC-MIC has a 2000 Best rating of A VI. There were no claims.

CONTRACT NO. 10 ANECO/FORUM, ET AL

04/01/87 - 04/01/88

This contract was written upon the expiration of Contract No. 6 and also provided \$500,000 coverage over a specific retention of \$500,000, with a \$500,000 deductible in that layer. The rate was decreased from 20% to 12.5% with Aneco and Forum providing 60% of the coverage. The reinsurer's premium was \$867,033. Aneco and Forum are insolvent and considered uncollectable. Imperial Casualty with 10% has been liquidated and will pay no future claims.

The Pool has some claims under this contract. The \$500,000 deductible was largely depleted by payment of the *Kadelak v. Center Line* claim, which cost \$935,950. The *Milford Township* disaster in which three firefighters were killed also occurred during this contract. That claim cost \$1,137,563 and all reinsurers except Aneco and Forum have paid their share. The *Alessandro v DCC* claim also comes under this contract and has been settled for a total cost of \$664,565. The amount due from Aneco and Forum for these claims is about \$380,000 and is considered uncollectable, though claims were filed with the liquidators.

CONTRACT NO. 11 PRUDENTIAL RE INSURANCE, ET AL

04/01/87 -04/01/88

This contract provided \$1 million excess of \$1 million coverage with Prudential Reinsurance taking 30%, NLC-MIC 20%, and five other companies including Aneco and Forum provided 10% each. The *Milford Township* claim penetrated this layer by about \$137,563 and all reinsurers paid except Aneco and Forum. The reinsurance premium was \$1,500,000 for this layer. The rate was 25% of Pool premium collected for the first

\$1,000,000 layer.

CONTRACT NO. 12 NLC-MIC

10/01/87 - 04/01/88

This contract renewed Contract No. 9 providing \$1 million excess of \$2 million, with NLC-MIC and the Pool sharing losses in the layer 50/50. It was canceled 04/01/88 and replaced with Contract No. 15. There have been no claims.

CONTRACT NO. 13 ANECO/FORUM, ET AL

04/01/88 - 04/01/89

This policy renewed Contract No. 10 providing \$500,000 excess of \$500,000 per occurrence. The rate was reduced from 12.5% to 11.75%, while the deductible was decreased from \$500,000 to \$250,000.

Aneco/Forum provided 50% of the coverage, Star Insurance Company provided 20%, and the Classic Syndicate and Coronet Insurance Company provided 15% each. Coronet has since been declared insolvent.

The Pool sustained its first large loss during this policy term when a police shooting resulted in a \$2,007,505 settlement in *Bontekoe v. Ypsilanti*. The Pool paid the first \$500,000 of this claim, as well as the \$250,000 deductible, and the reinsurers paid \$1,250,000 (\$250,000 under this layer and \$1,000,000 under the 2nd layer). The claim of *Hollander and Kastner v Flat Rock* cost \$717,490. The Pool retention should have been \$500,000; but Aneco and Forum provided 50% of the coverage and are not paying claims. The other 50% has been recovered.

CONTRACT NO. 14 PRUDENTIAL REINSURANCE, ET AL

04/01/88 - 04/01/89

This contract provided \$1 million excess of \$1 million coverage on top of Contract No. 13. Prudential Reinsurance took 30% of the coverage, Belvedere 20%, and Aneco, Forum, Classic, and Star 12.5% each. The \$2 million settlement came under this contract and all reinsurers paid their share of the claim. The Pool premium was \$1,345,809 for this layer. Reinsurers paid \$1,000,000 on *Bontekoe v. Ypsilanti*. No further claims that might exceed \$1 million have been identified to date.

CONTRACT NO. 15 J.H. MINET, LTD., ET AL

04/01/88 - 04/01/89

This contract provided \$3 million excess of \$2 million, allowing the Pool to offer members a \$5 million limit for the first time. Fifty percent of the coverage was placed by the London brokerage of J.H. Minet using a number of Lloyd's syndicates and London reinsurers. The Pool retained \$500,000 while NLC-MIC and Prudential Reinsurance each took \$500,000. The Pool declined to offer this excess layer to Ypsilanti so the *Bontekoe* claim was not covered excess of \$2,000,000. There are no claims in this layer.

In the spring of 1997, J.H. Minet was acquired by Aon, which proceeded to disband Minet North American Reinsurance division through the summer. Effective October 1, 1997, the Pool assigned its account through a Broker of Record letter to J.K. Buckenham Ltd. Responsibility for servicing claims under contracts effective prior to 10/1/97 was included. The assignment of a new broker did not affect Pool coverage; CNA Reinsurance is the Pool's lead London carrier, and the move to Buckenham was seamless as regards Pool reinsurance.

CONTRACT NO. 16 ANECO/FORUM/STAR

04/01/89 - 04/01/90

This is the primary policy providing \$500,000 excess of \$500,000. After suffering a loss in the previous contract, the reinsurers increased the deductible from \$250,000 to \$750,000 in this layer, resulting in an approximate \$500,000 reduction in premium. Aneco and Forum provide 75% of the coverage with Star Insurance Company providing the other 25%. The *Bush v Spring Lake* claim which cost \$4,616,442 fell under this contract and used up \$500,000 of the \$750,000 deductible. Substituting a \$500,000 deductible for a \$500,000 premium was a wise move in that the money saved was safely invested for five years and is available to pay claims while Aneco and Forum would be unable to pay claims and the premiums would have been wasted. The balance of the \$250,000 deductible was used up by *Mazzali v. Munising* which cost \$500,009, *Ferguson and Walker v. Inkster* which cost \$689,800, *Clay v. Fraser* which cost \$509,089, and *Lee v. Richfield Twp/Hilliard v. Davison Twp* which cost \$774,017 (\$51,102 was applied to the deductible and \$222,915 is a reinsurance recovery).

CONTRACT NO. 17 PRUDENTIAL REINSURANCE, ET AL

04/01/89 - 04/01/90

This policy provided \$1 million excess \$1 million coverage with Prudential Reinsurance providing 40%. NLC-MIC provided 30% and Aneco, Forum, and Dorinco provided 10% each. Dorinco, owned by Dow Chemical, has an "A" rating and over \$590 million policyholder's surplus. The rate remained at 22% despite the \$1,000,000 reinsurance claim on the expiring \$1,000,000 excess \$1,000,000 contract. The *Bush v Spring*

Lake claim was settled for \$4.6 million and Prudential, NLC and Dorinco paid \$800,000. The \$200,000 from Aneco and Forum is uncollectable and was paid by the Pool.

CONTRACT NO. 18 NLC-MIC

04/01/89 - 04/01/90

This contract provides \$3 million excess of \$2 million coverage. The Pool retained 10% of the coverage and NLC-MIC provided a contract providing \$2,700,000 in limits. NLC-MIC retains 10% of that limit and reinsurers the rest in London. NLC-MIC reimbursed the Pool \$2,315,472 for the *Bush* claim in February, 1994. The Pool's total premium after reinstatement charges was \$1,185,912.

\$500,000 EXCESS OF \$500,000

04/01/90 - 04/01/91

Effective April 1, 1990, a decision was made to increase the Pool's retention per occurrence to \$1,000,000 and eliminate the \$500,000 excess of \$500,000 layer.

CONTRACT NO. 19 PRUDENTIAL REINSURANCE, ET AL

04/01/90 - 04/01/91

Contract No. 17 was renewed, providing \$1,000,000 excess of the Pool \$1,000,000 per occurrence retention; Prudential Re provided 60% and J.H. Minet 40%. The *Trisch v Caro* claim which resulted in a total loss of \$2,629,911 million was covered by this treaty as well as the *Schwartz v. Inkster* with a total cost of \$1,272,887. The reinsurance premium came to \$1,518,685 for this layer and the reinsurers paid \$1,000,000 for *Trisch* and \$242,887 for *Schwartz*. At this point the \$1,000,000 x \$1,000,000 treaties sustained a total \$1,000,000 loss in three consecutive years: *Bontekoe v. Ypsilanti* in 88-89, *Bush v. Spring Lake* in 89-90 and *Trisch v. Caro* in 90-91. There are no other claims that appear to have the potential to reach \$1,000,000.

CONTRACT NO. 20 NLC-MIC

04/01/90 - 04/01/91

This contract provides \$2,900,000 excess of \$2,000,000. The contract is written by NLC-MIC which retains \$500,000 and reinsures the rest in London. The *Trisch v Caro* claim penetrated this layer by about \$604,715. The premium paid was \$1,200,000 for this layer.

CONTRACT NO. 21 PRUDENTIAL RE AND J. H. MINET**04/01/91 - 04/01/92**

This contract provides \$1,000,000 excess of the Pool's \$1,000,000 retention. Prudential Reinsurance covers 70% and J.H. Minet 30%. The rate was reduced to 20% for the Prudential portion and 19% for the Minet portion. The premium for this layer was \$1,518,485. To date there are no claims reported that appear likely to penetrate this layer.

CONTRACT NO. 22 J. H. MINET AND NLC-MIC**04/01/91 - 04/01/92**

This contract provides \$3,000,000 excess of \$2,000,000 with J.H. Minet covering 80% and NLC-MIC 20%. The rate was reduced from 23% to 21% and the reinsurers were paid their minimum premium of \$925,000. There are no claims to date.

APRIL 1, 1992 - 1993

There were some basic changes in the Pool's reinsurance structure in 1992. The Pool added a \$5,000,000 excess of \$5,000,000 layer of coverage. Also reappearing as the primary reinsurance layer was \$500,000 excess of \$500,000. These changes reduced the Pool retention to \$500,000 per occurrence, and allowed the Pool to offer members a \$10,000,000 per occurrence limit. Transamerica Reinsurance Co. (now Discover Re), with Johnson & Higgins (now Marsh) as the broker, was selected to participate in all layers of the Pool's reinsurance.

CONTRACT NO. 23 TRANSAMERICA AND PRUDENTIAL**04/01/92 - 04/01/93**

This contract provides \$500,000 excess of the Pool's primary \$500,000 retention. Transamerica provides 60%, Prudential Re 30% and the Pool has a 10% participation. The rate was 13%. Unlike previous policies for this layer, there is no deductible and no aggregate reinsurance limit. The audited premium came to \$1,258,746 for this layer. Four claims have penetrated this layer to date. *Botright and Gotham v Spaulding Township* cost \$561,282 and *Hale and Maples v Allen Park* cost \$816,469, *Garfield Apts v. Clinton Township* cost \$520,015 and *Buyck and Patton v. Clio* cost \$587,212. There are no claims pending against this layer.

CONTRACT NO. 24 TRANSAMERICA, ET AL

04/01/92 - 04/01/93

This contract provided \$1,000,000 excess \$1,000,000 coverage with Transamerica taking 35%, Prudential 25%, Minet 30% and NLC-MIC 10%. The rate was 15% of the premium for the first \$1,000,000, a significant reduction. The rate has been coming down steadily since the 27.5% rate for the 4/1/85-86 term, but the reinsurers want to collect enough premium to cover one total loss plus their expenses. As the exposure base increases, the rate decreases resulting in a premium of \$1.3 million to \$1.5 million for the layer. The reinsurers' premium came to \$1,290,891. There are still no claims exceeding \$1,000,000 for this policy term.

CONTRACT NO. 25 J.H. MINET, ET AL**04/01/92 - 04/01/93**

This \$3,000,000 excess \$2,000,000 is shared by J.H. Minet 60%, Transamerica 20%, Prudential 10% and NLC-MIC 10%. The 19% rate is a significant reduction. The rate for this layer has declined steadily from the original 25% rate for the 4/1/88-89 term, but the reinsurers want to achieve a premium of \$950,000. The premium came to \$1,084,565. To date, there are no losses that appear likely to penetrate this layer.

CONTRACT NO. 26 TRANSAMERICA, ET AL**04/01/92 - 04/01/93**

This \$5,000,000 excess \$5,000,000 treaty enabled the Pool to offer members a \$10,000,000 limit for the first time. Transamerica provides 50% of the coverage, J.H. Minet 30%, Prudential 10% and NLC-MIC 10%. A \$500,000 deposit premium applies. There are no claims to date.

CONTRACT NO. 27 TRANSAMERICA RE/PRUDENTIAL RE**04/01/93- 04/01/94**

This contract renewed the \$500,000 excess of \$500,000 written in 1992 with the same reinsurers participating in the same proportions. The only difference is a rate increase from 13% to 14%. The reinsurer's premium came to \$1,511,175. The Pool retained the first \$500,000 plus 10% of the \$500,000 x \$500,000 layer. The *Karl v Blackman Twp* claim cost \$723,746, *Henderson v Fenton* cost \$702,760, the *Lincoln Park sewer backup* claim cost \$1,179,817, the *Lewis/Leet v. Burton* cost \$605,371 and *Urbani v. Roseville* cost \$538,917. There is one open claim, *Grenadier v Bloomfield Hills*, that has an incurred value of \$1,136,191 (*McCrumb v Kentwood* which was open on last year's memo has an incurred that is now below our retention).

CONTRACT NO. 28 TRANSAMERICA, ET AL**04/01/93 - 04/01/94**

This contract renewed the \$1,000,000 excess \$1,000,000 contract written in 1992 with the same reinsurers participating in the same proportions. The rate was reduced from 15% to 14%. The reinsurers' premium was \$1,342,422. The *Lincoln Park sewer back up* case penetrated this layer by \$179,817. The *Grenadier v Bloomfield Hills* has the potential to penetrate this layer by \$135,191.

CONTRACTS NO. 29 AND NO. 30 TRANSAMERICA, ET AL**04/01/93 - 04/01/94**

The \$3,000,000 excess \$2,000,000 and \$5,000,000 excess \$5,000,000 treaties were renewed without change except for a rate reduction from 19% to 18% for the \$3,000,000 excess \$2,000,000 layer. The premium for this layer was \$1,139,531. No losses that are likely to penetrate this layer have been reported to date. In 1993 Transamerica Corporation spun off its Property Casualty Division. The reinsurance company is now known as Discover Re and maintains its "A- VI" 2000 Best rating with surplus of \$54 million. Discover Re is owned by the St. Paul Companies and maintains an A+ XV rating with surplus of almost \$5 billion.

CONTRACT NO. 31 TIG, ET AL**04/01/94 - 04/01/95**

This contract renewed the \$500,000 excess of \$500,000 layer with some changes. In exchange for a \$500,000 premium reduction, the Pool accepted a \$500,000 deductible. The layer was renewed at a 10.7% rate and a premium of \$1,167,960. With the new deductible, the Pool discontinued its 10% participation in this layer and placed that portion with NLC-MIC. In the past, retention and deductibles in the \$500,000 excess of \$500,000 layer have resulted in significant savings to the Pool. The *LeBarre v Traverse City* claim that cost \$2,507,111 exhausted the Pool's \$500,000 retention in this layer. Four other cases have penetrated this layer: *Bradley v Elk Rapids* cost \$702,615, *Walker v Muskegon Hts.* cost \$699,664, *Terry v Trenton* cost \$1,579,352, *Lewis v. Roseville* cost \$853,975 and *Mix v Clinton Twp* cost \$572,113. There are two other cases that are still open, *Ethridge v. Grosse Pointe Park* has an incurred value of \$1,022,085, and *Sandstone v Novi* has an incurred value of \$3,570,321.

CONTRACT NO. 32 TIG, ET AL**04/01/94 - 04/01/95**

The \$1,000,000 excess of \$1,000,000 layer renewed with no changes except for a rate reduction from 14% to

13%. The *LeBarre v Traverse City* claim cost \$1,000,000 in this layer and the *Terry v Trenton* claim has penetrate the layer by \$579,352. **Sandstone Assoc** currently has the potential to penetrate this layer by the full \$1,000,000 limit and penetrate the \$3,000,000 xs \$2,000,000 layer by \$1,520,322. **Ethridge** has the potential to penetrate the \$1,000,000 xs \$1,000,000 layer by \$22,085.

LIABILITY RENEWALS

04/01/95 - 04/01/96

The liability reinsurance was renewed effective 4/1/95 with no changes except for one point rate reductions for the \$1,000,000 excess \$1,000,000 and \$3,000,000 excess \$2,000,000 layers. The \$1,000,000 excess \$1,000,000 went from 13% to 12% and the \$3,000,000 excess \$2,000,000 went from 18% to 17%. These rates had been falling for years. The 12% rate for the \$1,000,000 excess \$1,000,000 layer is less than 1/2 of the 1987 rate of 25%. This reflects the reinsurers' confidence in the quality of Pool operations and stability of losses. The same companies have reinsured the Pool since April 1, 1992 with the only changes being generally downward annual rate adjustments, and the April 1, 1994 change in the Pool retention in the \$500,000 excess of \$500,000 layer from 10% of each claim to \$500,000 annually.

The Pool incurred the largest settlement in its history with a \$10,000,000 limits claim on *Swans v. City of Lansing*. There are four other claims that have exceeded the Pool's \$500,000 retention: *Gearhart v. Three Rivers* cost \$676,004, *Rank v. Coldwater Board of Public Utilities* cost \$1,030,003 (which exhausted the Pool's retention), *David Shulte v Novi* cost \$589,448 and *Walters v. Grosse Pointe Park* cost \$1,817,920. There is one **open** claim with the potential to exceed our retention: ***Roberts v. Midland*** has an incurred value of \$798,866.

LIABILITY RENEWALS

04/01/96 - 04/01/97

The liability reinsurance was renewed 4/1/96 with no changes except for significant rate reductions. All reinsurers continue to participate in the same proportions as expiring. Prudential Reinsurance was spun off in a public offering and became Everest Re. It has an A+ XII 2000 Best rating and a surplus of more than \$1 billion.

There are five claims thus far that have settled which exceed the Pool's \$500,000 retention. *Hansknecht/Cook v. Howard City* cost \$1,048,853 (which exhausted the Pool's retention) and *Kuciszewski & Johnson v S. Lyon* cost \$728,800, *Birmingham v Fruitport Twp* cost \$581,443, *Smith v. New Baltimore* cost \$537,801 and

Kalajian v. Grosse Pte Woods cost \$1,074,972. One other **open** claim has the potential to exceed the Pool's retention: *Residents Mt. Clemens v City of Mt Clemens* has an incurred value of \$822,973.

LIABILITY RENEWALS

04/01/1997 - 04/01/2000

Pool administration negotiated significant structural changes in the Pool's first reinsurance layer (\$500,000 excess of \$500,000) effective April 1, 1997. After years of declining reinsurance rates, it was deemed prudent to enter into a three-year swing rate agreement with reinsurers, for the purpose of longer term stability in Pool reinsurance rates.

The base premium for each annual term of the first reinsurance layer is 8.50% of the Pool's gross premium for the first \$1,000,000 each occurrence for subject business. Twenty-four months after expiration of the first annual term, the premium shall be adjusted based upon Actual Gross Written Premium x 5.0% + Incurred Losses subject to a maximum of Actual Gross Written Premium x 15.5% (for 1997-98 and 1998-99) and 16.5% (for 1999-2000). The premiums and losses in the Swing Rate Calculation will be cumulative as described below:

- | | |
|--|-------------------------------------|
| 1 st Swing calculation on 4/1/2000: | 4/1/97-3/31/98 Reinsurance Period |
| 2 nd Swing calculation on 4/1/2001: | 4/1/97-3/31/99 Reinsurance Period |
| 3 rd Swing calculation on 4/1/2002: | 4/1/97-3/31/2000 Reinsurance Period |

Swing calculation is performed each year on April 1 until all claims are closed.

The minimum and maximum percentages increase if the Pool cancels this contract prior to April 1, 2000. The reinsurer cannot cancel prior to expiration.

This contract was proposed and structured by J.H. Minet in London, and accepted by other participating reinsurers. To recognize the contributions of J.H. Minet in improving the Pool's reinsurance stability, 30% of this layer was placed with CNA Reinsurance in London through J.H. Minet. The participation of Discover Re was reduced from 60% to 40%, and the participation of Everest Re was reduced from 30% to 20%. NLC Mutual still participates with 10%.

Also, Clash Coverage *on the US Placement* was included for the first time in the Pool's reinsurance placements. If more than one Pool member is involved in the same occurrence, and each member is liable for a judgment in excess of the Pool's \$500,000 retention, the US reinsurers will pay up to a per occurrence aggregate limit of \$1,000,000 to ensure that the Pool does not pay more than one \$500,000 retention for each occurrence.

Also, all Sunset Provisions were deleted from the Pool's reinsurance placements through Lloyds and other London reinsurers, and Sunrise Provisions were added. Previously, our London placements would not have responded to claims first filed seven years after expiration of the year in which the occurrence took place.

These enhancements effectively delete this limitation, and provide the Pool full occurrence protection across all layers for all classes of subject business.

Lastly, a \$5 million aggregate excess policy was placed with Discover Re. This insurance, which is required by the Michigan Insurance Bureau for group self-insureds, was first mentioned under Contract # 8. It had not been placed by the Pool for many years. State regulators were aware that this coverage was not placed, and despite our requests in writing over the years for written approval from the Michigan Insurance Bureau that the requirement was waived for the Pool, it was never received. When the Michigan Insurance Bureau again asked Pool administration in early 1997 why the coverage wasn't placed -- ignoring our previous correspondence that asked them for an opinion -- it was decided to purchase this easily available coverage and avoid any potential concern of state regulators.

Reinsurance layers above \$500,000 excess \$500,000 were renewed for annual terms and rates as expiring, with all reinsurers maintaining their expiring participation percentages. The rates effective 4/1/97 for these layers was 10.25% for the \$1M x \$1M Layer; 14.35% for the \$3M x \$2M Layer; and 12.00% for the \$5M x \$5M Layer.

April 1, 1998 Anniversary:

\$500,000 x \$500,000: Reinsurers agreed to reduce the 24 maximum rate from 16.5% to 16.0%.

\$1M x \$1M: Reinsurers reduced the rate for this layer from 10.25% to 9.97%.

\$3M x \$2M: Reinsurers reduced the rate for this layer from 14.35% to 12.97%. They also agreed to a No Claims Bonus (NCB) if there are no losses to this layer.

\$5M x \$5M: Reinsurers, with the exception of Discover Re, agreed to reduce the minimum premium to \$300,000 (USF&G will reduce their minimum from \$425,000 to \$400,000)

April 1, 1999 Anniversary:

\$500,000 x \$500,000: Reinsurers agreed to adjust the maximum rate from 15.5% to 16.5%.

\$1M x \$1M: No changes.

\$3M x \$2M: No changes.

\$5M x \$5M: Reinsurers increased the rate for this layer from 12.0% to 14.0%. The minimum premium for this layer for all participants shall be \$400,000.

There are ten claims that have exceeded or have the potential to exceed the Pool's \$500,000 retention. *Salah v. Oak Park* cost \$2,049,386; *Ockert v. Ionia* cost \$5,000,000, *Teed v. Hazel Park* incurred is \$1,937,772, *Pohutski/Dobbs v. Allen Park/Melvindale* incurred is \$1,342,171 (clash claim), *Sickels & Shadoian v. Beverly Hills & Birmingham* incurred is \$1,680,670 (clash claim), *Class Action Powers v. Alpena* incurred is \$818,331, *Park v. Brownstown Twp* incurred is \$1,748,241, *West v. Wyandotte/Manska v. River Rouge/Dobbs v. Melvindale* incurred is \$1,326,01 (clash claim), *Gilbeau v. Romulus* incurred is \$636,974

and *Kelly v. Marine City* incurred is \$708,220.

CITY OF ST. CLAIR

NEW \$5M xs \$10M

10/1/1999 – 9/30/2000

For the first time the Pool offered an individual member a \$5,000,000 xs \$10,000,000 limit. This excess layer was placed through Discover Re which was retroceded to Employers Re (paper does not recognize this). The premium was \$1,000 per \$1,000,000 of coverage.

LIABILITY RENEWALS

04/01/2000 - 04/01/2001

There was considerable uncertainty going into this reinsurance renewal. Before the Supreme Court were two cases that, once decided, would have significant consequences for our reinsurers.

First Sewer Back Ups: The court was asked to clarify the law. The court could have decide 1) there is no statutory trespass nuisance exception to immunity (a most favorable outcome); 2) a strict liability standard exists (worst case scenario); or 3) to recognize a trespass nuisance exception to immunity, but modify it to provide a negligence standard (considered the most likely outcome). We had conveyed to the reinsurance participants that if unfavorable news did come from this court opinion, quick underwriting action would be taken to protect them. In the meantime, however, the Sewer Back up losses were growing exponentially and reinsurance premium increases would be in order. The Supreme Court response, received in May 2000, continued to hold municipalities strictly liable for the back up of sewers and drains. The Pool, in response, drafted an Absolute Sewer and Drain Exclusion and began attaching it to member renewal policies beginning with July 1, 2000. Had this decision by the Pool administrator not been made immediately upon hearing of the Supreme Court's opinion, the storm of September 2000 would have crippled the Pool.

Second Robinson v City of Detroit: The court virtually eliminated municipal liability for police pursuits and also dramatically limited the ability of plaintiffs to pursue claims against individual government employees. This decision was received in September 2000.

The renewal: The Swing Rate Insurance Plan was eliminated. The Pool opted to take a three-time corridor deductible [\$1,500,000 in total] on the 1st Layer, \$500,000 x \$500,000. All four layers of the reinsurance program had rate increases and for the first time since 1992, the US rates and London rates differed:

1 st Layer \$500,000 x \$500,000:	US: 6.47%	London: 12.93%
2 nd Layer \$1,000,000 x \$1,000,000:	US: 11.36%	London: 12.72%
3 rd Layer \$3,000,000 x \$2,000,000:	US: 14.46%	London: 15.66% No Claims Bonus dropped
4 th Layer \$5,000,000 x \$5,000,000:	US: 16.19%	London: 16.66%

Also, it was agreed to by all reinsurers that the participation across each layer be constant and the following was agreed to:

Discover Re's 38% London's 35% Everest Re's 17% and NLC-MIC's 10%

CITY OF ST. CLAIR

\$5M xs \$10M

10/1/2000 – 9/30/2001

This excess layer of \$5,000,000 xs \$10,000,000 for the City of St Clair was renewed.

LIABILITY RENEWALS

04/01/2001 - 04/01/2002

The Pool opted to take a two-time corridor deductible [\$1,000,000 in total] on the 1st Layer, \$500,000 xs \$500,000, – this replaced the three-time corridor deductible on the previous contract. It was important to the domestic reinsurers this year that US rates for each layer mirror the London rates (unlike last year). Therefore, rates were quoted “net” and brokerage fees were “in addition to”:

1 st Layer, \$500,000 xs \$500,000:	Rate 11.05%	London Commission 1.95%
2 nd Layer, \$1M xs \$1M:	Rate 12.75%	London Commission 2.25%
3 rd Layer, \$3M xs \$2M:	Rate 16.15%	London Commission 2.85%
4 th Layer, \$5M xs \$5M:	Rate 17.855	London Commission 3.15%

We paid flat commission to Marsh of \$125,000.

We paid flat commission to Community Agency of \$33,700.

The overall result of the renewal was an approximate 25% premium increase which was somewhat expected since the loss ratio for the reinsurers had been creeping up and was 97% at the time of renewal. And although we excluded Sewer Back Up [SBU] losses by 7/1/01 and had the benefit of Robinson v. City of Detroit, it was still necessary to pay some back to the reinsurers, mostly because of SBU losses. Total incurred SBU losses to our reinsurers at the time of this writing amount to \$6,609,186 for the period 1993 through 2000. Prior to '93,

SBU claims annually had averaged about \$250,000, never impacting the reinsurers. From 1993 through 2000, SBU losses were costing the reinsurers an average of \$944,000 annually .

CITY OF ST. CLAIR

\$5M xs \$10M

10/1/2001 – 9/30/2002

This excess layer of \$5,000,000 xs \$10,000,000 for the City of St Clair was renewed. However, due to market conditions in 2002, Meadowbrook was requested to notify the City of St. Clair that this layer would not be renewed in 2002. We did not want to use up capacity of our current reinsurers for this single placement and were concerned that should there be a loss to this layer, it would adversely affect the entire program.

LIABILITY RENEWALS

4/1/2002 - 4/1/2003

The Pool retained a two-time corridor deductible for this reinsurance term, as well as renewing with the same layers: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. The Pool once again self-insured the first \$500,000 per occurrence. New this year is a retention of eight per cent of the \$5 million excess of \$5 million layer. Once again, rates were quoted net with brokerage fees added.

Changes in the structure from the previous year were as follows:

- ✓ All reinsurers are domestic. London reinsurers did not participate this year due to the inability of our London broker to submit a quotation in time for the April 1 renewal.
- ✓ Discover Re increased its participation to 50% across all layers.
- ✓ NLC Mutual and Everest Re increased its participation to 25% for the first three reinsurance layers, and 17% for the fourth (top) layer.
- ✓ The Pool retained 8% of the fourth (top) reinsurance layer.
- ✓ Marsh USA received one brokerage fee of \$275,00 for both the Property and Casualty reinsurance placements. The Community Agency received a brokerage fee of \$87,000.
- ✓ Terrorism coverage was limited to one loss in the first three layers, and excluded in the fourth layer.

1 st Layer, \$500,000 xs \$500,000:	Rate 11.05%	One treaty limit for terrorism losses
2 nd Layer, \$1M xs \$1M:	Rate 18.78%	One treaty limit for terrorism losses
3 rd Layer, \$3M xs \$2M:	Rate 17.00%	One treaty limit for terrorism losses
4 th Layer, \$5M xs \$5M:	Rate 23.06%	Terrorism excluded in treaty

The City of St. Clair did not renew with the Pool effective October 1, 2002.

LIABILITY RENEWALS

4/1/2003 -- 4/1/2004

The Pool retained a two-time corridor deductible for this reinsurance term, as well as renewing with the same layers: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. The Pool once again self-insured the first \$500,000 per occurrence. Domestic rates were quoted net with brokerage fees added. London has no additional brokerage fees.

Changes in the structure from the previous year were as follows:

- ✓ Discover Re decreased its participation From 50% to 45% across all layers.
- ✓ Everest Re retained its participation at 25% across all layers.
- ✓ NLC Mutual decreased its participation to 20% from 25% across all layers.
- ✓ Lloyds of London returned to participate at 10% across all layers.
- ✓ Marsh USA received one brokerage fee of \$305,00 for both the Property and Casualty reinsurance placements. The Community Agency received a brokerage fee of \$78,000.
- ✓ Terrorism coverage was limited to one loss of the treaty limit.
- ✓ An experience rating plan was introduced. Casualty premiums were increased. Reinsurance rates were adjusted from the prior contract.

1 st Layer, \$500,000 xs \$500,000:	Rate 9.25%	One treaty limit for terrorism losses
2 nd Layer, \$1M xs \$1M:	Rate 16.50%	One treaty limit for terrorism losses
3 rd Layer, \$3M xs \$2M:	Rate 17.00%	One treaty limit for terrorism losses
4 th Layer, \$5M xs \$5M:	Rate 21.00%	One treaty limit for terrorism losses

LIABILITY RENEWALS

4/1/2004 -- 4/1/2005

The Pool retained a two-time corridor deductible for this reinsurance term, as well as renewing with the same layers: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5

million excess of \$5 million. The Pool once again self-insurers the first \$500,000 per occurrence. Domestic rates were quoted net with brokerage fees added. London has no additional brokerage fees.

Changes in the structure from the previous year were as follows:

- ✓ Discover Re retained its participation at 45% across all layers.
- ✓ Everest Re retained its participation at 25% across all layers.
- ✓ NLC Mutual retained its participation at 20% across all layers.
- ✓ Lloyds of London returned to participate at 10% across all layers.
- ✓ Marsh USA received one brokerage fee of \$305,000 for both the Property and Casualty reinsurance placements. Marsh receives no contingent commissions.
- ✓ The Community Agency received a brokerage fee of \$75,000.
- ✓ Terrorism coverage was limited to one loss of the treaty limit.
- ✓ Casualty premiums remain stable relative to exposure.

1 st Layer, \$500,000 xs \$500,000:	Rate 9.25%	One treaty limit for terrorism losses
2 nd Layer, \$1M xs \$1M:	Rate 16.50%	One treaty limit for terrorism losses
3 rd Layer, \$3M xs \$2M:	Rate 17.00%	One treaty limit for terrorism losses
4 th Layer, \$5M xs \$5M:	Rate 21.00%	One treaty limit for terrorism losses

LIABILITY RENEWALS

4/1/2005 -- 4/1/2006

The Pool retained a two-time corridor deductible for this reinsurance term, as well as renewing with the same layers: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. The Pool self-insurers the first \$500,000 per occurrence. Domestic rates were quoted net with brokerage fees added. London has no additional brokerage fees.

Changes in the structure from the previous year were as follows:

- ✓ Discover Re reduced its participation 5% to 40% across all layers.
- ✓ Everest Re retained its participation at 25% across all layers.
- ✓ NLC Mutual retained its participation at 20% across all layers.
- ✓ Lloyds of London increased participation 5% to 15% across all layers.
- ✓ Marsh USA received one brokerage fee of \$305,000 for both the Property and Casualty reinsurance placements. Marsh receives no contingent commissions.

- ✓ Terrorism coverage was limited to one loss of the treaty limit.
- ✓ Casualty premiums remain stable relative to exposure.

1 st Layer, \$500,000 xs \$500,000:	Rate 9.25%	One treaty limit for terrorism losses
2 nd Layer, \$1M xs \$1M:	Rate 16.50%	One treaty limit for terrorism losses
3 rd Layer, \$3M xs \$2M:	Rate 17.00%	One treaty limit for terrorism losses
4 th Layer, \$5M xs \$5M:	Rate 21.00%	One treaty limit for terrorism losses

LIABILITY RENEWALS

4/1/2006 -- 4/1/2007

The Pool retained a two-time corridor deductible for this reinsurance term, as well as renewing with the same layers: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. The Pool self-insured the first \$500,000 per occurrence. Domestic rates were quoted net with brokerage fees added. London has no additional brokerage fees.

The summary below reflects stability in the structure from the previous year with some rate reduction:

- ✓ Discover Re retained its participation at 40% across all layers.
- ✓ Everest Re retained its participation at 25% across all layers.
- ✓ NLC Mutual retained its participation at 20% across all layers.
- ✓ Lloyds of London retained its participation at 15% across all layers.
- ✓ Marsh USA received one brokerage fee of \$305,000 for both the Property and Casualty reinsurance placements. Marsh receives no contingent commissions.
- ✓ Terrorism coverage was removed. The Pool coverage document excludes terrorism.
- ✓ Casualty premiums remain stable relative to exposure.
- ✓ Domestic reinsurance rates on the first 2 layers were reduced .25% and .5% respectively.
- ✓ Lower rates on London contracts were accepted.
- ✓ Sunset clauses were removed from London contracts.

USA Reinsurers

1 st Layer, \$500,000 xs \$500,000:	Rate 9.00%
2 nd Layer, \$1M xs \$1M:	Rate 16.00%
3 rd Layer, \$3M xs \$2M:	Rate 17.00%
4 th Layer, \$5M xs \$5M:	Rate 21.00%

London Reinsurers

1 st Layer, \$500,000 xs \$500,000:	Rate 8.25%
2 nd Layer, \$1M xs \$1M:	Rate 14.87%
3 rd Layer, \$3M xs \$2M:	Rate 17.00%
4 th Layer, \$5M xs \$5M:	Rate 20.50%

PROPERTY REINSURANCE

The Pool maintains property reinsurance to limit the Pool's maximum loss from one occurrence and to cap the Pool's annual loss retention. The current arrangement has been in place since January 1, 1993. Unlike the liability reinsurance, which renews on April 1, the Property reinsurance is on a calendar year renewal and matches the Pool's fiscal year. Since 1993, the Pool has retained the first \$100,000 of each occurrence. The annual aggregate retention has been 25% of booked premium up until 1997 when it was changed to a flat \$1,500,000. American Reinsurance Company provides \$2,500,000 excess of the Pool and Great American Insurance Company covers excess of \$2,600,000 up to the total value of all property covered by the Pool. American Re has an A++ Best rating, and Great American has an A rating. Coverage is placed through Marsh Inc..

This property arrangement has worked well, giving the Pool unlimited capacity, protecting against large losses and assuring that the Pool will make a profit on this coverage part. The reinsurance rate remained the same at 39% of the Pool premium for the first four years. Effective January 1, 1997, the rate was reduced to 36.8%. Also, in return for a three-year rate guarantee, the Pool agreed to drop the profit-sharing provision. Due to good performance, a Contingent Commission was added back January 1, 1999.

This reinsurance was effective **January 1, 1993** and the Pool had its two largest fires in April. The reinsurance worked as planned. The Pool retained \$100,000 and American Re paid \$572,764 for the Charlevoix fire and \$123,917 for the Hazel Park fire. **January 1, 1994** losses over \$100,000 only cost American Re \$89,193. Unprecedented cold weather caused a large number of losses and the total exceeded the Pools aggregate attachment point. American Re paid \$113,153 for aggregate losses. **January 1, 1995** was a very good year for Pool property coverage. Two losses exceeded the \$100,000 retention by \$105,680 and total losses came to \$885,329, well below the annual attachment point. **January 1, 1996** was the Pool's worst year ever for property losses. The *Gogebic Wastewater Collapse* has exceeded the retention by \$382,115 and total losses exceed \$1,795,000. The reinsurance is working as it should. American Re has paid losses exceeding the aggregate.. The Aggregate received for 1996 has totaled \$500,083. **January 1, 1997** resulted in two claims exceeding the retention by \$287,549. Total losses should not exceed the \$1,500,000 retention. **January 1,**

1998 has resulted in one claim (*5/31/98 multiple claimant storm*) thus far exceeding the retention by \$482,267. **January 1, 1999** has resulted in three claims that have exceeded the Pool retention by \$282,050.. **January 1, 2000** has resulted in two claims that have the potential to exceed the SIR by \$703,891 **January 1, 2001:** The general insurance market (and more specifically the property market) has been hardening over the last year and this has impacted the Pool in 2001. And although the Pool's property experience is excellent, a provision was added to the reinsurance contract that limited coverage for Flood Zone A (the Pool was not isolated in this action). Zone A will be limited to \$2,500,000 per occurrence, annual aggregate. Other than Flood Zone A, the Pool will continue to maintain Flood Coverage of \$100,000,000 per occurrence, annual aggregate. The Pool responded to this new provision in the reinsurance contract by amending the coverage document to limit claims in Flood Zone A to \$100,000 per occurrence, annual aggregate. To date there is one claim that has the potential to exceed the Pool's SIR by \$278,437.

January 1, 2002: This was an especially difficult reinsurance renewal as the hard market continued and the events of September 11 caused further instability. There were several changes that took place which impacted the Pool's property reinsurance program: 1) We could no longer secure a blanket TIV limit. The Pool secured a layered program: \$2,500,000 x \$100,000 Pool retention Am Re, \$70,000,000 x \$2,500,000 Great American; \$50,000,000 xs \$72,500,000 Hartford Stm Boiler; \$100,000,000 xs \$122,500,000 Liberty Mutual; 2) The Boiler & Machinery was moved from Travelers to Hartford Stm Boiler; 3) The exclusions of Mold, Terrorism and Cyber Risk now appeared in the contracts; 4) The Pool's Aggregate was increased from \$1,500,000 to \$2,500,000; and 5) The overall price increase was 35%. This was considered to be a better than average property reinsurance renewal. The long term relationship with Am Re and Great American, coupled with our excellent results, helped in our particular case. At this time there is one loss, a fire in the City of Jackson, losses that will exceed the Pool's retention.

January 1, 2003: There were several changes that took place which impacted the Pool's property reinsurance program: 1) We could no longer secure a blanket TIV limit. The Pool secured a layered program: \$5,000,000 x \$100,000 Pool retention Munich-American Risk Partners, \$70,000,000 x \$5,000,000 Great American; \$50,000,000 xs \$75,000,000 Hartford Stm Boiler; \$100,000,000 xs \$125,000,000 Liberty Mutual; 2) The Pool's Aggregate was increased from \$2,500,000 to \$2,597,465; and 3) Terrorism coverage was obtained for the 70,000,000 layer with Great American. This was considered to be a better than average property reinsurance renewal. The long term relationship with Am Re and favorable losses helped lower premium 16%. At this time there are three losses that will exceed the Pool's retention; Albion – property damage Total Incurred: \$ 140,000, City of Norway – machinery Total Incurred: \$ 154,111, City of Sturgis – fire Total Incurred: \$ 210,000

January 1, 2004: Several changes took place on the Pool's property reinsurance program: 1) The Pool maintained a layered program, blanket TIV limits remain unobtainable. The carrier for the : \$5,000,000 x \$100,000 layer was changed to Discover Re: The \$70,000,000 x \$5,000,000 Layer was changes to St. Paul; Hartford Stm Boiler continues the \$50,000,000 xs \$75,000,000 layer; and Liberty Mutual continues the \$100,000,000 xs \$125,000,000, top layer; 2) The Pool's Aggregate was decreased to \$2,500,000 from \$2,597,465. Changes were made due to pricing increases from incumbents. This is considered a better than average property reinsurance renewal. A long term relationship with Discover Re with respect to the Pool's casualty coverage helped. We are a familiar organization. At this time there are two losses that will exceed the Pool's retention; Kingsford – City Hall fire Total Incurred: \$ 947,962 and Granville – DPW fire Total Incurred: \$ 255,000.

January 1, 2005: The Pool's property reinsurance program renewal was stable : 1) The Pool maintained a layered program, blanket TIV limits remain unobtainable. It was possible to reduce the number of participants providing the limit of \$225,000,000. Discover Re renewed for the \$5,000,000 xs \$100,000 layer. Three higher limit layers \$70,000,000 xs \$5,000,000, the \$50,000,000 xs \$75,000,000 layer and the \$100,000,000 xs \$125,000,000 was consolidated with one reinsurer, Federal Insurance Co of the Chubb Group. The change was made to consolidate the layers for better pricing. The Pool's Aggregate attachment was increased to \$2,800,000 from \$2,500,000. By year end 2005 there was one loss that will exceed the Pool's retention; Norway – machinery Total Incurred \$1,850,000.

January 1, 2006: The Pool's property reinsurance program renewal was stable : 1) The Pool maintained a layered program, blanket TIV limits remain unobtainable. The renewal was finalized with the same carriers and a premium reduction of 2% while values increased 7%. Discover Re renewed the \$5,000,000 xs \$100,000 layer. Federal Insurance Co of the Chubb Group renewed the \$220,000,000 xs \$5,000,000. The Pool's Aggregate attachment remains at \$2,800,000.

c. Amy Kukla
Thomas J. Wolff

Michigan Municipal League Liability & Property Pool

2006 Reinsurance Structure

Property

Federal Ins. Co./Chubb

\$220 million
excess of \$5 million

Discover Re

\$4.9 million
excess of \$100,000

\$100,000 Pool Retention

per occurrence,
\$2.8 million aggregate
retention

Michigan Municipal League Liability & Property Pool

Reinsurance Structure Casualty

5 million x of 5 million

40% Discover Re
25% Everest Re
20% NLC-MIC
15% Lloyd's of London

3 million x of 2 million

40% Discover Re
25% Everest Re
20% NLC-MIC
15% Lloyd's of London

1 million x of 1 million

40% Discover Re
25% Everest Re
20% NLC-MIC
15% Lloyd's of London

500,000 x of 500,000

(two \$500,000 deductibles
apply)

40% Discover Re
25% Everest Re
20% NLC-MIC
15% Lloyd's of London

500,000 per occurrence

Pool Retention

5,000,000 Aggregate Excess

100% Discover Re

Statement of Actuarial Opinion

Audited Financial Statement of the Michigan Municipal League Liability and Property Pool

For the Year Ended December 31, 2006

Page 1 of 3

IDENTIFICATION

I, Shelley Taitz Davidson, am associated with the Tillinghast business of Towers Perrin. I am a member of the American Academy of Actuaries and meet its qualification standards for signing statements of actuarial opinion regarding property and casualty insurance company statutory Annual Statements. I am an Associate of the Casualty Actuarial Society. I have been requested by the Michigan Municipal League Liability and Property Pool ("Pool") to render this opinion.

SCOPE

I have examined the reserves listed below, as shown in the audited Financial Statement of the Pool as prepared for filing with state regulatory officials as of December 31, 2006.

	<u>Amount</u>
A. Net reserves for losses and loss adjustment expense	\$12,562,537
B. Net reserves for incurred but not reported losses and loss adjustment expense	<u>22,637,557</u>
	\$35,200,094

My examination of the loss and allocated loss adjustment expense reserves was based upon data and related information prepared by the Pool. In this regard, I relied on Lawrence D. Peck, Risk Manager, Michigan Municipal League Liability and Property Pool, as to the accuracy and completeness of the data. I evaluated the data used directly in my analysis for reasonableness and consistency. My evaluation did not reveal any data points materially affecting my analysis that fell outside of the range of reasonable possibilities. In performing this evaluation, I have assumed that the Pool (a) used its best efforts to supply accurate and complete data and (b) did not knowingly provide any inaccurate data. In other respects, my examination included the use of such actuarial assumptions and methods and such tests of calculations as I considered necessary.

My review was limited to items A and B above, and did not include an analysis of any income statement items or other balance sheet items. My opinion on the reserves is

Statement of Actuarial Opinion

Audited Financial Statement of the Michigan Municipal League Liability and Property Pool

For the Year Ended December 31, 2006

Page 2 of 3

based upon the assumption that all reserves are backed by valid assets, which have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

My opinion on the loss and allocated loss adjustment expense reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible. Approximately 80% of the Pool's ceded loss and loss adjustment expense reserves are with companies rated A- or better by a reputable insurance rating agency. The remaining cessions are to a non-rated reinsurer. Based on discussions with Pool management, I have assumed that cessions to this reinsurer will be collectible. In addition, the Pool has represented to me that it knows of no uncollectible reinsurance cessions. I have not anticipated any contingent liabilities that could arise if the reinsurers do not meet their obligations to the Pool as reflected in the data and other information provided to me.

I do not believe that there are significant risks and uncertainties that could result in material adverse deviation in the loss and allocated loss adjustment expense reserves. In consideration of the use of this opinion for purposes of solvency monitoring, I consider \$6.8 million to be material for the Pool, calculated as 20% of members' equity after adjustment of the reserves to a nominal basis. The absence of such risks and uncertainties at this time does not imply that factors will not be identified in the future as having been a significant influence on the Pool's reserves.

Loss and allocated loss adjustment expense reserves have been discounted to present value based on actuarially derived projected payment patterns and a 4.0% interest rate. I am not expressing an opinion on this rate. The amount of discount is \$2.5 million.

Reserves are established gross of anticipated salvage and subrogation.

OPINION

In my opinion, the amounts recorded in the audited Financial Statement for the sum of items A and B above:

- a) meet the requirements of the insurance laws of Michigan;

Statement of Actuarial Opinion

Audited Financial Statement of the Michigan Municipal League Liability and Property Pool

For the Year Ended December 31, 2006

Page 3 of 3

- b) are consistent with amounts computed in accordance with the Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves and relevant standards of practice promulgated by the Actuarial Standards Board; and
- c) make a reasonable provision for all unpaid loss and loss expense obligations of the Pool under the terms of its contracts and agreements.

VARIABILITY

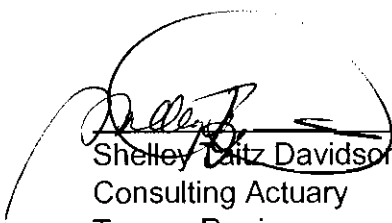
In evaluating whether the reserves make a reasonable provision for unpaid losses and allocated loss adjustment expenses, it is necessary to project future loss and allocated loss adjustment expense payments. Actual future losses and allocated loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections.

Further, my projections make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Pool's historical database or which are not yet quantifiable.

An actuarial report, including underlying work papers supporting the findings expressed in this statement of actuarial opinion, has been provided to the Pool to be retained for a period of seven years at its administrative offices and available for regulatory examination.

This statement of opinion is solely for the use of, and only to be relied upon by, the Pool and the State of Michigan Insurance Department with which it files its audited financial statement.

Date: April 19, 2007


Shelley Taitz Davidson, ACAS, MAAA
Consulting Actuary
Towers Perrin
175 Powder Forest Drive
Weatogue, CT 06089-9658
(860) 843-7015


TOWERS
PERRIN

TILLINGHAST

Pool Membership at 12-31-2006

24th District Court	City of Buchanan
33rd Judicial District Court	Buena Vista Charter Township
34th District Court	Bullard Sanford Memorial Library
48th District Court	City of Burton
Acme Township	City of Cadillac
City of Adrian	Village of Caledonia
Aitkin Memorial District Library	Village of Camden
Village of Akron	Village of Capac
City of Albion	Village of Carney
Alcona County	Carney-Nadeau Sewer & Water Authority
City of Allen Park	Caseville Harbor Commission
Almont District Library	Village of Casnovia
Ann Arbor District Library	City of Caspian
Village of Armada	Caspian Gaastra Fire Authority
Village of Ashley	Cass District Library
Village of Athens	Village of Cassopolis
Au Gres - Sims Police	Cassopolis Area Utilities Authority
City of Au Gres	Castleton-Maple Grove-Nashville Fire Dept
Village of Augusta	Castleton Township
Bacon Memorial District Library	City of Cedar Springs
City of Bad Axe	City of Center Line
Village of Bancroft	Village of Central Lake
City of Bangor	Central Operations for Police Service
Bay Township	Village of Centreville
Bear Creek Township	City of Charlevoix
City of Beaverton	Charlevoix Public Library
City of Belding	City of Charlotte
Belvidere Township	Charlotte Community Library
Bentley Township	City of Chelsea
Benton Harbor/St. Joseph Joint Wastewater	Chelsea Recreation Council
Benton Twp/Potterville District Library	Village of Chesaning
Village of Benzonia	Chocolay Charter Township
City of Berkley	City of Clare
Village of Berrien Springs	Village of Clarkston
Berrien Springs/Oronoko Township Police	Village of Clinton
City of Big Rapids	Clinton Township
Village of Birch Run	Clio Area Fire Authority
City of Birmingham	Clio Area Library Board
Village of Blissfield	City of Coldwater
Village of Bloomingdale	Coldwater Board of Public Utilities
Boyne District Library	Community Fire Association
Village of Breckenridge	Village of Concord
Village of Breedsville	City of Coopersville
Bridgewater Township	City of Corunna
City of Bridgman	Cromaine District Library
City of Brighton	City of Croswell
Brighton District Library	City of Crystal Falls
Village of Britton	Village of Daggett
Village of Brooklyn	City of Davison
Broomfield Township	Downtown Development Authority of Davison
Brownstown Charter Township	City of DeWitt

Dewitt Area Emergency Services Auth
Dewitt Public Library
Dexter District Library
Village of Dimondale
Village of Douglas
Dover Township
Village of Dryden
City of Durand
City of East Jordan
E Lansing/MeridianTwp Water-Sewer
City of Eaton Rapids
Village of Edmore
Village of Elberta
Village of Elk Rapids
Elk Rapids District Library
Village of Elsie
City of Essexville
City of Evart
Farmington Community Library
City of Fennville
City of Ferrysburg
Village of Fife Lake
City of Flushing
Flushing Charter Township
Village of Forestville
Village of Fowler
City of Frankenmuth
City of Fremont
Village of Fruitport
City of Gaastra
City of Galesburg
Village of Galien
City of Gibraltar
City of Gladwin
Gladwin Rural Urban Fire Department
City of Gobles
Village of Grand Beach
City of Grand Blanc
Grand Blanc District Library
Grand Haven/Spring Lake Wastewater Treatment
Grand Rapids Charter Township
City of Grandville
Village of Grass Lake
City of Grayling
City of Greenville
City of Grosse Pointe
City of Grosse Pointe Farms
Grosse Pointe-Clinton Refuse Disposal
City of Grosse Pointe Fa
City of Harbor Beach
Harbor Beach Library District
City of Harbor Springs
Harbor Springs Area Sewage Disposal

Harbor Springs Fire Authority
City of Harper Woods
City of Harrison
City of Hart
City of Hartford
City of Hastings
Hazel Park Memorial Library
Herrick District Library
Village of Hersey
Higgins Township
Village of Hillman
Holly Township
Village of Hopkins
Village of Howard City
Howe Memorial Library
Howell Carnegie District Library
City of Hudson
City of Hudsonville
Hume Township
City of Imlay City
Indianfields Township
City of Ionia
Ionia Community Library
Ionia Wastewater Treatment Authority
City of Iron River
City of Ithaca
City of Jackson
Village of Jonesville
Kalama Township
Village of Kaleva
Village of Kalkaska
Village of Kent City
City of Kentwood
Village of Kinde
City of Kingsford
Village of Kingston
Koehler Township
City of Laingsburg
Village of Lake Isabella
Village of Lake Odessa
Village of Lake Orion
Laketown Building Authority
Laketown Township
Village of Lakeview
Village of Lakewood Club
City of Lathrup Village
Law Enforcement Officers
Village of Lawrence
Village of Lawton
Lawton Fire Department
Village of Lennon
City of Leslie
Village of Lexington

City of Lincoln Park
City of Linden
Loose Senior Citizens Center
Loutit District Library
City of Lowell
Lowell Charter Township
Village of Lyons
Lyons Township District Library
City of Mackinac Island
Village of Mackinaw City
Macomb Township
City of Manistee
Maple Grove Township
Maple Valley Township
Village of Marion
City of Marlette
City of Marquette
Village of Martin
City of Marysville
Masonville Township
Mathias Township
Village of Maybee
McMillan Township
Village of Melvin
City of Memphis
Village of Mendon
City of Menominee
Meridian Charter Township
Village of Metamora
Village of Michiana
Michigan Public Power Agency
Mid Michigan Water Authority
Village of Middleville
City of Midland
Midland City and County Joint Building Authority
City of Milan
Milan Public Library
Village of Milford
Village of Millersburg
Village of Millington
Missaukee County
City of Monroe
Montague Fire District
Montcalm Township
Montcalm County
City of Morenci
Village of Morrice
City of Mount Morris
Village of Muir
City of Munising
City of Muskegon Heights
Village of Nashville
Nelson Township

City of New Baltimore
Village of New Era
Village of New Haven
City of Newaygo
Newaygo Fire District
City of Niles
Niles District Library
Village of North Branch
City of North Muskegon
North Star Township
Northern Michigan Public Service Academy
City of Norton Shores
City of Norway
City of Oak Park
Village of Ontonagon
Orange Township
Orion Township Public Library
Village of Ortonville
Village of Otisville
City of Otsego
Otsego District Library
Ottawa County Central Dispatch
Village of Otter Lake
Peninsula Community Library
Village of Pentwater
City of Perry
City of Petersburg
City of Petoskey
Village of Pewamo
Village of Pinckney
Pinora Township
City of Plainwell
Plymouth District Library
Village of Port Hope
Port of Monroe
Portage Lake District Library
City of Portland
Portland Township
City of Potterville
Potterville/Benton Township Fire
Village of Powers
Village of Quincy
Quincy Fire Association
Village of Ravenna
Rawson Memorial Library
Rochester Avon Recreation Authority
Rochester Downtown Development Authority
City of Rockford
City of Rockwood
City of Rogers City
Village of Romeo
City of Romulus
City of Roosevelt Park

Village of Rosebush
 Village of Rothbury
 Village of Saint Charles
 City of Saint Clair
 City of St. Johns
 City of Saint Louis
 Salem Township
 City of Saline
 Village of Sand Lake
 Village of Saranac
 Saranac Community Volunteer Fire Dept
 City of Saugatuck
 City of Sault Ste Marie
 Village of Schoolcraft
 Scipio Township
 Sebewa Township
 Village of Sebewaing
 Sebewaing Light & Water
 Village of Shelby
 Shelby Area District Library
 Village of Sheridan
 Village of Shoreham
 Sidney Township
 South Huron Valley Utility Authority
 City of South Lyon
 South Macomb Disposal Authority
 South Macomb Sanitary District
 Village of South Rockwood
 Southeast Berrien County Landfill
 Southeast Michigan Community Alliance
 Southfield Township
 Village of Sparta
 Sparta Fire Department
 Spaulding Township
 Village of Springport
 Stambaugh Cemetery Association
 City of Standish
 City of Stanton
 Village of Stevensville
 Village of Stockbridge
 City of Sturgis

Summit Township
 City of Swartz Creek
 City of Tecumseh
 Thomas Township Library
 Village of Three Oaks
 City of Three Rivers
 City of Traverse City
 Traverse City Light & Power
 Tuscola Area Airport Authority
 Village of Ubly
 City of Utica
 Utica Riverside 175-MBA
 Van Buren County
 Van Buren Co
 Village of Vandalia
 Village of Vernon
 Vernon Township
 Village of Vicksburg
 City of Wakefield
 Village of Walkerville
 City of Walled Lake
 City of Watervliet
 Waverly Township
 City of Wayland
 Village of Webberville
 Wells Township
 White Lake Ambulance Authority
 White Lake Building Inspection Board
 White Lake Solid Waste Authority
 City of Williamston
 Village of Wolverine Lake
 City of Woodhaven
 City of Wyandotte
 City of Ypsilanti
 Ypsilanti Community Utilities
 Ypsilanti District Library
 Ypsilanti Charter Township
 City of Zeeland
 City of Zilwaukee

Total Pool Membership at 12-31-06 = 394